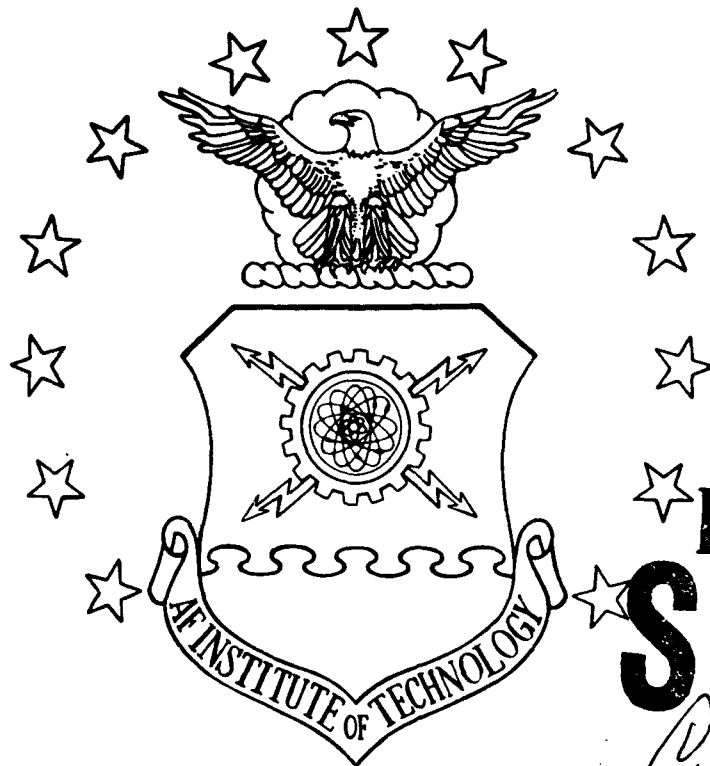


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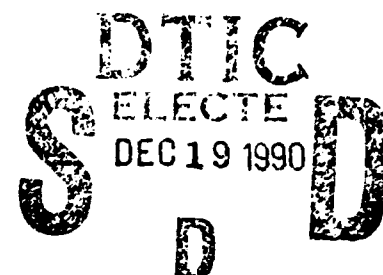
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2



DICTIONARY OF CONTRACTING  
AND ACQUISITION TERMS RELATED  
TO THE PRE-AWARD PHASE  
OF CONTRACTING

THESIS

Randal G. Indvik, Captain, USAF

AFIT/GCM/LSP/90S-7

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Dictionary of Contracting and Acquisition Terms  
Related to the Pre-Award Phase of Contracting

THESIS

Presented to the Faculty of the School of Systems and Logistics  
of the Air Force Institute of Technology

Air University

In Partial Fulfillment of the  
Requirements for the Degree of  
Master of Science in Contracting Management

Randal G. Indvik, B.A.

Captain, USAF

September 1990

Approved for public release; distribution unlimited

## Preface

The purpose of this research effort was to develop definitions for terminology contained within a specific portion, the pre-award phase, of the contracting body of knowledge. Specifically achieved was a consensus of opinion among contracting professionals regarding the definition of each term as synthesized by the researcher.

The performance of this effort could not have been accomplished without a good deal of help and participation from others. I am deeply indebted to the National Contract Management Association as an organization and particularly to those Fellows who participated in this study. Without their participation, this effort could not have been accomplished.

Additionally, I wish to and do now express my appreciation to both my thesis advisor, Dr. William C. Pursch, and my reader, Ms. Vicki Fraider, Captain, USAF. Without their direction, patience, and encouragement this effort would have been much more difficult than it actually was.

Finally, I wish to thank my wife, Heather, who married me, in the middle of this academic program, with the knowledge that a considerable amount of my time would be spent working on this academic endeavor. Since that day, she has been a confidant, and friend.

Randal G. Indvik

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Abstract

This thesis effort is a continuance of research to determine, through a consensus of opinion among contracting professionals, a definition for current contracting terminology. This research was first initiated by LCDR Daniel L. Ryan, and was later accomplished by others at both the Naval Postgraduate School, Monterey, California, and at the Air Force Institute of Technology, Wright Patterson Air Force Base, Ohio. As with the previous efforts, this thesis examined literary sources for the current definitions and usages of the chosen terms. Thereafter a definition for each term was synthesized, incorporated in an open ended survey, and sent to contracting professionals (NCMA Fellows). Respondent comments are analyzed, and, where appropriate, incorporated in the final, proposed definitions. Researcher effort to define additional terms should be continued in accordance with the recommendations presented in chapter V.

DICTIONARY OF CONTRACTING AND ACQUISITION  
TERMS RELATED TO THE PRE-AWARD PHASE OF CONTRACTING

I. Introduction

Background

A number of Presidential and/or Congressional studies have identified the need to enhance the quality of the federal acquisition work force as a means to improve the efficiency and effectiveness of the federal procurement process. Two such studies are The Second Hoover Commission (1955) and, more recently, The President's Blue Ribbon Commission on Defense Management (1986). This second study is also known as The Packard Commission.

The necessity of such reviews is apparent when one considers the magnitude of federal requirements, met by the private sector, through the federal procurement process. The following, from The President's Blue Ribbon Commission on Defense Management, illustrates the magnitude of procurement requirements for a single federal agency.

Annual procurement requirements for the Department of Defense alone average \$170 billion. This involves approximately 15 million separate contractual actions enacted annually by a Federal acquisition work force of over 165,000 personnel. (33:10)

Based on the findings of these and other similar reports, the Office of Personnel Management (OPM)

reclassified the GS-1102 contracting series from an administrative to a professional designation. Although reclassification occurred in 1989, its effect is not yet fully known. In theory, the reclassification should advance the development and retention of qualified personnel through a focus on increased training and position upgrades and corresponding pay increases.

Similarly, increased attention was given to the quality of Department of Defense (DOD) acquisition officers and civilian employees as a result of the 1989 Defense Management Review (DMR). In an interview with Air Force Times staff writer John Ginovsky, Daniel S. Rak, Air Force Deputy Assistant for Acquisition, stated,

"The Defense Management Report was the stimulus for us to look again at the professional development process. The emphasis will be on increased training, education and professionalism" (26:6).

Prior to the reclassification of the contracting discipline and the DMR, the National Contract Management Association (NCMA) and its membership advocated the contracting discipline, both the public and private sectors, as a profession. Based on the findings of the above mentioned reports, the efforts of the NCMA and its membership, and the efforts of other interested persons, the contracting discipline is emerging as a recognized profession.

In her masters thesis (Dec 1987) entitled Contracting: A Systematic Body of Knowledge, Navy LCDR Connie Thornton substantially supported the proposition that the contracting discipline does indeed qualify as a profession. In this effort, she indicates that a unique body of knowledge, shared by its members, is fundamental to all professions. From this premise, she attempted to "develop a systematic body of knowledge for the acquisition contracting discipline" (37:1). Her efforts lead her to conclude that the contracting discipline did indeed possess the rudimentary elements of a body of knowledge.

Subsequent thesis efforts, of which this is one, have attempted to advance this body of knowledge through the clarification and codification of procurement terminology. These subsequent theses are based on the dual propositions that clear communication among professionals can most easily be accomplished through the use of clearly defined terminology and that no authoritative source for such terminology exists. In his 1989 masters thesis Navy LT Daniel Downs states,

The assembly and determination of a common language for contracting and acquisition has been overdue. In order for the government to speak a common language, all participants must be using and interpreting terms consistently. Until LCDR Daniel Ryan, SC, USN initiated and completed his thesis entitled A Dictionary of Acquisition and Contracting terms, in September 1988, no consolidated national effort had been undertaken in this regard. (21:1)

The terminology associated with this emerging profession is a mixture of words and phrases selectively borrowed from other disciplines and professions, as well as words unique to the procurement industry. A model depicting the impact of other professions upon the profession of contracting management was developed by Dr. David V. Lamm of the Naval Postgraduate School. Dr. Lamm's model is incorporated in this thesis as Figure # 1.

To the outside observer or the government procurement neophyte, much of the terminology of this profession may sound foreign. Other terms, which at first seem familiar, may take on a different nuance within the context of the federal procurement process.

Good examples of the slight nuances of words within this emerging profession are the terms procurement, acquisition, and contracting. Although these terms are commonly used as synonyms, each term represents a concept which is subtly different from the others. Much like a diagram of concentric circles, each term represents a concept which is a subset of the preceding term. Although the nuances among these terms exist, they are often used as synonyms for each other. Such is the case in this thesis where, unless otherwise indicated, the terms are used interchangeable without regard for their differences.

Because this researcher believes the development of a dictionary of terminology associated with an emerging

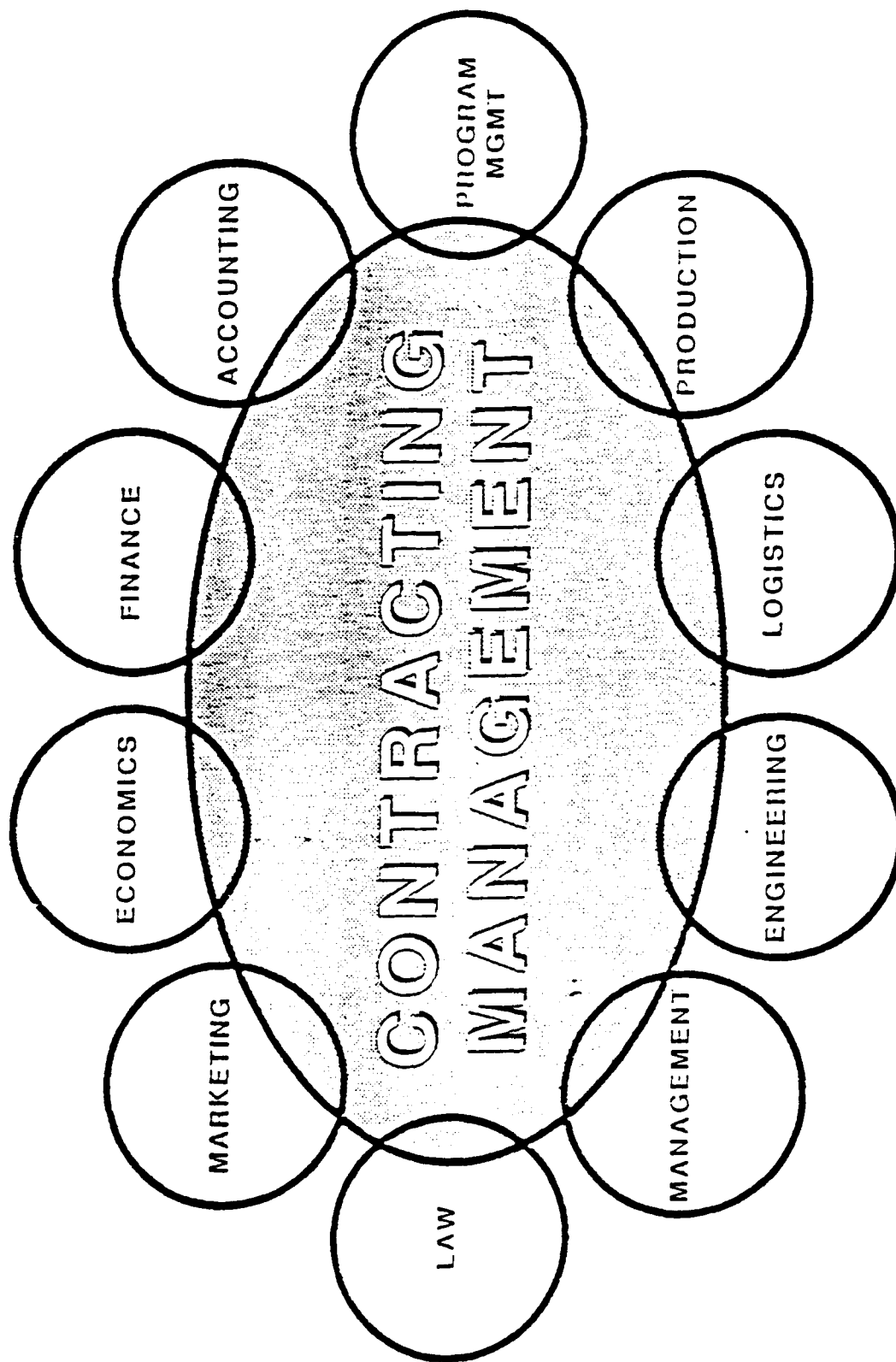


Figure 1 Contracting Management Model

Dr. David V. Lamm and Dr. William C. Pursch

profession to be an altogether noble and worthy endeavor, I have accepted the challenge to define, through a consensus of procurement professionals a portion of procurement terminology. It is for the advancement of the procurement profession and the benefit of future procurement neophytes that this endeavor is undertaken.

### Problem Statement

The general issue is one of semantics, the evolution of the meaning of words or languages, as it relates to the federal procurement body of knowledge. Because the federal acquisition process is heavily dependent upon contracts and contractually binding agreements, all involved parties must share a common understanding of the terminology which leads to consent of or which is contained within a contract.

As with prior efforts, accomplished at the Air Force Institute of Technology (AFIT) and the Naval Postgraduate School (NPS), this thesis seeks to develop a definition, based on a consensus of procurement professionals, for twenty-five procurement terms.

This thesis differentiates itself from previous efforts in that the terms chosen for treatment are primarily associated with the pre-award phase of contracting. Previous efforts generally did not specifically limit the selection of terms to any particular area of the procurement process.

### Prior and Concurrent Research

The first of five similar efforts was accomplished by US Navy LCDR Daniel Ryan, a September 1988 graduate of the Naval Postgraduate School. LCDR Ryan treated a total of twenty-eight terms and developed the basic methodology used by subsequent researchers. John Canaday, Capt USAF and a September 1989 AFIT graduate, defined twenty-five terms in his thesis entitled Determination of Baseline Definitions for Contracting Words and Phrases.

Since these early efforts, three additional theses have been completed by students at the NPS: LT Thomas Prien (USN), LT Daniel Downs (USN), and Capt Richard Florek (USA). Each of these researchers defined twenty-five procurement terms following the methodology developed LCDR Daniel Ryan.

Concurrent with this effort, two other students in the AFIT class of September 1990, USAF Capt Dean Matro and USAF Capt Laureli Moyle, are also conducting similar research efforts. Additionally, and perhaps belatedly, USAF Capt Bill Hauf is attempting to identify and organize terms which, at this point, have been or should be similarly treated.

### Scope, Assumptions, and Limitations

Scope. The scope of this thesis is to provide proposed definitions for twenty-five terms within the procurement discipline/profession.



Assumptions. The primary assumptions of this thesis are identical to those first stated in LCDR Daniel Ryan's thesis and referenced in later efforts..

The basic assumption of this thesis is that there is insufficient agreement on the specific meaning of terms as they apply to contracting. No source of authoritative contracting definitions exists. It was also assumed that consensus was the best method of arriving at an acceptable definition of contracting terms. Any other method would result in an arguably biased product. (34:7-8)

Limitations. The only limitation of this effort over previous similar efforts is made regarding the criteria of term selection. The terms treated in this thesis are primarily, related with the pre-award phase of the procurement cycle. This limitation is made in an effort to narrow the focus of the study and thereby provide the reader a more valuable document.

### Research Questions and Objectives

The research question addressed in this thesis is essentially the same question asked by previous researchers. LT Daniel Downs' summary of these questions and objectives is most succinct and is therefore incorporated and presented below.

To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

During the course of this study, specific objectives included:

1. What are the current published definitions?
2. What agreement can be reached from professionals in the field?

3. What definition of terms can be concluded from research and feedback?
4. What is the present usage in current contract text. (21:3)

### Organization of Study

Although both the nature of and the methodology used in this effort are similar to those found in previous efforts, this thesis is organized in a slightly different manner. The changes are made to increase the depth and clarity of presentation of the subject matter and thereby provide the reader with a more readable document.

Significant differences between this and previous efforts are the addition of a chapter (depending upon which previous effort is used for comparison) and the division of efforts relating to the initial and final synthesized definitions by chapter.

Additionally, one will notice that significantly more emphasis is placed upon the development of the initial synthesized definitions in this thesis than in the majority of previous efforts. Presented below is the organization of this effort by chapter.

Chapter I provides the reader with a basic understanding of the nature of this thesis effort. In chapter I, the research problem is addressed, the history of similar efforts summarized, the scope, assumptions, and limitations stated, the research questions and objectives postulated, the context of the thesis effort in relation to

the procurement process made known, and the thesis organization presented.

Chapter II provides a summary of the pre-award phase of government procurement/contracting and addresses the development of the synthesized definition for each of the twenty-five terms. This chapter represents the researcher's effort to develop the survey instrument used in accordance with the previously established methodology. In this chapter, each term is listed, an analysis of the literature summarized, and the synthesized definition is presented. The survey itself is found in Appendix C.

Chapter III presents in detail the methodology used in the accomplishment of this thesis effort. Again, giving credit where credit is due, and in the interest of academic integrity, it is appropriate to note that Navy LCDR Ryan developed this methodology, which I intend to replicate.

Chapter IV presents an analysis of survey respondent comments and addresses the synthesis of a final definition for each term. Here, each term is listed with the corresponding synthesized definition, respondent comments are stated and analyzed against the criteria as set forth in the methodology, and a final synthesized definition is presented.

Chapter V represents the culmination of this thesis effort. This section presents the answers found to the research questions asked in chapter I, conclusions regarding

this effort and/or its objectives, and any recommendations for future researchers in this academic endeavor.

### Summary

This chapter provides the reader with preliminary insight into the research topic and the author's purpose in pursuing the topic as the subject of a masters thesis. As a minimum, the reader should realize the procurement profession is both complex and constantly changing.

The magnitude of the responsibility of the federal procurement community, as reflected in the dollar amount and the number of contractual actions accomplished, as well as the uniqueness of the DOD procurement environment and terminology contribute to the potential for a significant degree of miscommunication. In order to minimize the chances for miscommunication and to further establish the procurement discipline as a profession, this thesis follows the previously established methodology in its contribution to the development of a lexicon of procurement terminology.

## II. Review Of Literature

### General Information

The literature review presented in this chapter encompasses two distinct subject areas. First, in order to provide the reader with a basic understanding of the pre-award phase of the federal acquisition process, a review of the relevant chapters of the Federal Acquisition Regulation and other literary sources is presented. If the reader, after an honest evaluation of his own familiarity with the subject matter, feels such a review would not be beneficial, the reader may skip this section without detriment.

Second, a review of the literature related to each of the twenty-five terms is also presented. This second literature review is done in accordance with the methodology contained in chapter III. The purpose of this literature review is to develop a synthesized definition for each term for use in a survey of contracting/procurement professionals.

### Review of Literature of the Pre-Award Phase of Government Contracting/Procurement

General. In order to provide the reader with a basic understanding of the pre-award phase of the federal acquisition process, a discussion of this subject is here presented. For the purpose of this presentation, a distinction between the terms "acquisition process" and

"procurement process" is now made. Unlike the procurement process, the acquisition process does not encompass the development of the requirements to be acquired.

Likewise, this thesis accepts the material requirements as a given and proceeds to address, in chronological order, the steps taken by a contracting officer to award a contract for the acquisition of the requirements. Omitted from this presentation is a discussion of the roles of various agencies and/or individuals, above the program manager's level of authority, which can, and often do, affect the continuation or success of a program. Similarly, a discussion of program manager responsibilities is also limited.

This section addresses only the generic nature of the concept of acquisition. That is to say the differences between a major system acquisition and a small purchase are not specifically examined. However, it is recognized that in the real world, the level of management attention to any acquisition is dependant upon a number of elements. Primary considerations are the nature of the item to be acquired, the acquisition's complexity, and the acquisition's dollar value. This limitation to the scope of this discussion is made in order to provide the reader a general model of the acquisition process.

Acquisition Planning. When it is determined that an item, or items, is/are needed, the acquisition manager

considers how this item will be acquired. This process is termed acquisition planning. FAR 7.102 states the government position which requires government agencies to perform acquisition planning and conduct market surveys for all acquisitions. These steps are accomplished in order to promote full and open competition or, in its absence, competition to the maximum extent possible. The FAR defines acquisition planning as follows,

" . . . the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. (22:7.101)

Far 7.103 sets forth the responsibilities of the agency head regarding acquisition planning. Among these responsibilities is the establishment of criteria and thresholds at which increasingly greater detail and documentation is required. It is not within the scope of this effort to present a detailed enumeration of these thresholds. Rather the reader is referenced to FAR 7.103 with the understanding that the more the complex or expensive the effort, the greater the detail and documentation required.

FAR part 7.105 enumerates the considerations addressed in an acquisition plan. The acquisition plan is divided into two primary sections; the acquisition background and objectives, and a plan of action to obtain the objectives. Elements addressed under background and objectives include

the following: a statement of need, applicable conditions (compatibility conditions or cost, schedule, and performance constraints), cost, life cycle cost, design to cost, application of should cost, capability or performance, performance period requirements, risks (performance, technical, cost, and schedule), risk tradeoffs, and acquisition streamlining.

Elements addressed within the action plan include: the identification of sources and the promotion of competition for the acquisition, any major components or subsystems, and spares and repair efforts, source selection procedures, contracting consideration (contract type, lease or purchase decisions, whether sealed bidding or negotiation will be used and why, special solicitation provisions and contract clauses, and etc.), and a host of additional considerations.

Although not primarily responsible for the development of these objectives, the contracting officer usually has a significant input as it is his responsibility to see that the pertinent regulations regarding these activities are followed. Additionally, once the acquisition plan is accomplished, the contracting officer becomes a key player in its implementation. In smaller, less complicated acquisitions, such as small purchases, the contracting officer follows agency procedures which have incorporated the necessary level of acquisition planning.



Development of Invitation for Bids or Requests for Proposals. The two terms "invitation for bids" and "request for proposals" represent a concept which accomplishes the same end within different acquisition environments. The former term is used when the conditions as outlined in FAR 6.401(a) are met. Summarily, these conditions are: 1. time permits, 2. the award is based on price and other price related factors, 3. discussions are unnecessary, and 4. a reasonable expectation of receiving more than one sealed bid exists. Sealed bidding is defined in the DOD Armed Services Pricing Manual as,

a method of contracting that uses competitive bids, public opening of bids, and awards. A latter-day version of what used to be known as formal advertising, similar to but not the same as that method. Shares equal billing with competitive proposals. (11:B-9)

Usually, the invitations for bids are accomplished on a Standard Form 33, "Solicitation, Offer, & Award" and attachments. Regarding such invitations FAR 14.101 states,

Invitations must describe the requirements of the Government clearly, accurately, and completely. Unnecessarily restrictive specifications or requirements that might unduly limit the number of bidders are prohibited. (22:14.101)

A complete enumeration and expansion of the elements of an invitation for bids is the subject of Far 14.201-2.

The use of the latter term, "Request For Proposals" indicates the requirements may not be fully known and that negotiation is the contracting technique to be employed. FAR part 15 is entitled "Contracting by Negotiation" and

specifically addresses negotiated procurements.

Negotiation, as a concept, is defined at FAR 15.101 as follows.

. . . contracting through the use of either competitive or other than competitive proposals and discussions. Any contract awarded without using sealed bidding procedures is a negotiated contract . . .  
(22:15.101)

Requests for proposals are also accomplished on a Standard Form 33 with attachments. These attachments, the schedule, contract clauses, list of documents, exhibits, and attachments, and the representations and instructions are the subject of the FAR parts 15.406-2 through 15.406-5. When complete this document reflects many of the elements of the acquisition plan and allows a contractor to judge his own ability to meet the government requirements/objectives.

Identification and Notification of Potential Bidders.

Once the invitation for bids or the request for proposals is complete, potential vendors or contractors must be notified. The publication of contract actions is specifically the subject of Far Part 5 and is also found in FAR subparts 14, "Sealed Bidding", and 15, "Contracting by Negotiation".

The FAR states the following. Contracting officers shall publicize contract actions in order to--

- (a) Increase competition;
- (b) Broaden industry participation in meeting Government requirements; and
- (c) Assist small business concerns, small disadvantaged business concerns in obtaining contracts and subcontracts. (22:5.002)

FAR Subpart 5.101 indicates that the Commerce Business Daily (CBD) is the public notification media which identifies proposed contract actions. The notification contained within the CBD is a summary of the solicitation and includes a point of contact for those wishing additional information. This summary is called a synopsis, one the terms of treatment in this research effort. Subpart 5.202 addresses the exceptions to the use of a synopsis in the CBD.

FAR subpart 5.101 also provides guidance for using the CBD as well as other methods for disseminating an agencies requirements. Among these other methods are the use of handouts, announcements in newspapers, journals and other no cost to the government mass communication media, the same media with cost meeting applicable guidance, and through local trade associations.

Mailing lists as discussed in FAR Subpart 14.205 and 15.403 may also be used to notify potential contractors. Once the notification of the contract action is made, it is the responsibility of the contracting officer to maintain copies of the solicitation and to provide them to potential suppliers in accordance with FAR 5.102.

Determining Contractor Qualifications. It is the policy of the U.S Government that, "purchases shall be made from, and contracts shall be awarded to, responsible

prospective contractors only" (22:9.103). Guidance for such determinations is generally found at FAR Subpart 9 with the standards stated at 9.104.1. According to this subsection, in order to be determined responsible, a contractor must:

(a) Have adequate financial resources to perform the contract;

(b) Be able to comply with the required or proposed delivery or performance schedule . . . ;

(c) Have a satisfactory performance record

(d) Have a satisfactory record of integrity and business ethics;

(e) Have the necessary organization, experience, accounting and operation controls, and technical skills or the ability to obtain them . . . ;

(f) Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them; and

(g) Be otherwise qualified and eligible to receive an award under applicable laws and regulations.  
(22:9.104-1)

Often, this information is obtained through the accomplishment of a "pre-award survey". This term, "pre-award survey" is also a term of treatment in this thesis. Before leaving this element of the pre-award phase of the federal acquisition process, it is noted that there may be additional qualification requirements relating to specific acquisition environments. For information regarding specific testing or quality assurance requirements, the reader is referenced to FAR subpart 9.201.

Security of Bid and Proposal Information. At this point, a word is required regarding the safekeeping of information generated by requests for a bid or a proposal. This information is sensitive and disclosure of such information may provide one bidder an advantage over another or other bidder(s). The information contained in a sealed bid is more easily secured than is information obtained in a negotiated procurement. Sealed bids remain unopened until a public bid opening is accomplished at a specific time and place.

Regarding negotiated acquisitions, FAR 15.413-1 and 15.413-2 state various restrictions on the dissemination of information contained within proposals. These restrictions are made to protect the Government and contractors from the use of information which may be prejudicial to outcome of the award. FAR 15.413-1 (a) states:

After receipt of proposals, none of the information contained in them or concerning the number or identity of offerors shall be made available to the public or to anyone in the Government not having a legitimate interest

A requirement to safeguard the source selection information related to negotiated proposals is found at FAR 15.612 (e) which specifically address the safeguarding information related to the source selection process. Additionally, this citation references FAR Part 24, which states that agencies shall exercise particular care to

protect source selection information on a strict need-to-know basis.

Evaluation of Contractor Bids FAR subparts 14.301 (sealed bidding) and 14.404-2 concern the rejection of individual bids. Far 14.301 states, "to be considered for award, a bid must comply in all material respects with the invitation for bids. Such compliance . . . maintains the integrity of the sealed bidding system" (22:14.301).

FAR 14.404-2 enumerates specifically a number of instances in which a bid is rejected. Among these reasons are: if the bid fails to conform to the essential requirements of the invitation for bid, if the bid does not conform to applicable specifications, or if a bidder imposes conditions that would modify the requirements or limits the bidder's liability to the Government.

Bid Evaluation and Contract Award. This subject is addressed at FAR 14.407-1 which states:

(a) The contracting officer shall make a contract award (1) by written notice, (2) within the time for acceptance specified in the bid or an extension (14.404-(d)), and (3) to that responsible bidder whose bid, conforming to the invitation, will be most advantageous to the Government, considering only price and the price related factors (see 14.201-8) included in the invitation. Award shall not be made until all required approvals have been obtained and the award otherwise conforms with 14.103-2.

(b) If less than three bids have been received, the contracting officer shall examine the situation to ascertain the reasons for the small number of responses. Award shall be made notwithstanding the limited number of bids. However, the contracting officer shall initiate, if appropriate, corrective

action to increase competition in future solicitations for the same or similar items, and include a notation of such action in the records of invitation for bids (see 14.204) . . .

Proposal Analysis, Source Selection, and Contract

Award. After negotiations with all offerors, the contracting officer shall issue, to all offerors still in the competitive range, a request for best and final offers. Verbal requests are then confirmed in writing. These written requests contain the following:

- (1) Notice that discussions are concluded;
- (2) Notice that this is the opportunity to submit a best and final offer;
- (3) A common cutoff date and time that allows a reasonable opportunity for submission of written best and final offers; and
- (4) Notice that if any modification is submitted, it must be received by the date and time specified and is subject to the Late Submission, Modifications, and Withdrawals of Proposals or Quotations provision of the solicitation (see 15.412). (FAR 15.611)

When a formal source selection process is used, as with high dollar value or other acquisitions as prescribed in agency regulations, a specific evaluation group structure above the contracting officer level is established. The agency head is, or appoints another to perform as, the Source Selection Authority (SSA). Prior to any pre-solicitation conferences or the issuance of the solicitation the SSA approves a source selection plan. This plan is addressed in FAR 15.612 (c) which states,

As a minimum, the plan shall include --

- (1) A description of the organization structure;
- (2) Proposed pre-solicitation activities;
- (3) A summary of the acquisition strategy;
- (4) A statement of the proposed evaluation methodology, and techniques to be used; and
- (5) A schedule of significant milestones.

The Source Selection Advisory Board (SSAB), the Source Selection Advisory Council (SSAC), and the Source Selection Authority are all elements of the formal source selection process. Once the source selection plan is complete, the solicitation and appropriate notifications accomplished, and proposals received and evaluated, the Source Selection Authority, with the help of the SSAB and the SSAC makes the source selection decision based on the factors contained within the solicitation (FAR 15.612 (d) and FAR 15.605)

Proposal analysis is the subject of FAR 15.805 which indicates that the contracting officer has sole responsibility for the final pricing decision and references 3 specific areas of proposal evaluation. These 3 areas are price analysis, cost analysis, and technical analysis. Another consideration, mentioned at FAR 15.806, is subcontract pricing, when applicable. The outcome of these evaluations are presented to the various source selection bodies for incorporation into the source selection decision.

Although the Contracting officer is primarily responsible for the final pricing decision, he or his



representative, also relies upon the support of local or on sight Government agencies. When requested by the contracting officer, field pricing support is provided by the cognizant Contract Administration Agency. This support may also include evaluations and recommendations from the Defense Contract Audit Agency.

Regarding contract award, FAR 15.1002 states "the contracting officer shall award a contract with reasonable promptness to the successful offeror (selected in accordance with 15.611 (d) . . . ." This second FAR citation references the evaluation of best and final offers in light of the greatest advantages to the government and references a third FAR citation FAR 15.608 (b). This last reference postulates situations where the rejection of all proposals based the agency head's determination of unreasonable prices, the presence of collusive bidding or bad faith, a cost comparison reveals that performance by the government is more economical, or for other reasons clearly in the Government's interest.

#### Presentation of Terms, Literature Review, and Initial Definitions

This section is solely concerned with the development of definitions for each of the twenty-five terms selected for treatment. This thesis uses an iterative process to develop each definition. For each term an extensive search of general, professional, regulatory, academic, and/or

periodical literature is accomplished; published definitions examined; and an initial definition derived.

TERM # 1. Absorption Costing.

Discussion of Literature. The research of literary sources found this term to be predominantly associated with the disciplines of cost accounting and financial management. The following quotation, excerpted from Albert E. Giordano's Concise Dictionary of Business Terms, is representative of the majority of the published definitions:

A method of cost accounting in which fixed manufacturing expenses are included in inventory valuation in addition to direct materials, direct labor, and variable overhead expenses. (27:1)

In general, the term refers to the method of assigning or allocating fixed indirect manufacturing costs and other direct costs, as product costs. Consider the following definition provide by Morse and Roth, excerpted from Cost Accounting: Processing, Evaluating, and Using Cost Data:

A type of product costing in which all manufacturing costs, including direct materials, direct labor, variable factory overhead, and fixed factory overhead, are assigned to products. (31:969)

Several of the sources reviewed limited the definition of absorption costing to the valuation of inventory only. Although not specifically stated, this could include both "work in process" and "finished goods" inventory. However, these limiting definitions do not address the effect of absorption costing upon the "cost of

goods sold" and, therefore, do not indicate the impact of absorption costing upon the profit or loss realized by the business entity from the sale of its product(s).

One expansion of the term absorption costing, as reviewed above, was provided by Filkins and Caruth in their book entitled, Lexicon of American Business Terms. They observed that absorption costing techniques could also be applied to the provision of services and defined the term as follows, "the assignment of both fixed and variable costs to goods or services provided" (23:1). Although the literature provided no specific examples of absorption costing in a service environment, the expansion of the concept appears noteworthy and is included in the synthesized definition.

Definition Synthesis. Absorption Costing: A method of determining the cost of a unit of production, at various stages of completion, or service provided, which treats fixed indirect costs as product costs. Under absorption costing, a unit's total cost is equal to the sum of the allocated fixed indirect costs, and the costs of direct material, direct labor, and variable overhead.

Term # 2. Adequate Price Competition.

Discussion of Literature. Only two published definitions for this term were found in the literature. These sources, The Armed Services Pricing Manual and the National Estimating Society's (NES's) Dictionary of Estimating Terminology, present the term as a condition

which may or may not exist during a procurement transaction. The sources then define the term by listing a number of stipulations necessary for the existence of adequate price competition. The NES Dictionary of Estimating Terminology defines this term as follows:

Price competition exists if offers are solicited and at least two responsible offerors who can satisfy the purchaser's requirements independently contend for a contract to be awarded to the responsive and responsible offeror submitting the lowest evaluated price by submitting priced offers responsive to the expressed requirements of the solicitation. (18:6)

Because the definition contained in The Armed Services Pricing Manual expands the definition to include the term's relationship to the evaluation of the necessity of cost or pricing data, and because it reflects the primary elements within the second publication, this definition is accepted as published and presented as the synthesized definition. There were no limiting definitions for this term.

Definition Synthesis. Adequate Price Competition:

A condition that serves as an exemption from the requirement for submission of cost or pricing data. This condition exists when two or more responsible offerors compete independently and submit proposals deemed responsive to a solicitation, and there is no evidence that competition was restricted or that the lowest price is unreasonable. (11:B-1)

Term # 3. Agent.

Discussion of Literature. The numerous definitions of the term "agent" exhibited little variation. This suggests that the term is common in use and clear in

meaning. The common elements of the definitions indicate an acknowledged relationship between two parties.

The clearest definition was presented by Filkins and Caruth in the Lexicon of American Business Terms. In this book the term is defined as: "A person who is authorized to represent or act for another person referred to as the principle, in dealing with a third party" (23:4). A real estate agent is a common example of an agent. The real estate agent is authorized by the principle (owner/seller) to find buyers (third parties), show, and help negotiate the sale of real property.

Several of the definitions expanded the purview of the agent to allow representation of corporate entities. This concept is summarized in Ivan S. Banki's publication Dictionary of Administration and Management.

A business unit which negotiates purchases or sales or both but does not take title to the goods or services in which it deals. NOTE: The agent usually performs fewer marketing functions than does the merchant. He commonly receives his remuneration in the form of a commission or fee. He usually does not represent both the buyer and seller in the same transaction. (3:36)

Although not specifically stated, a similar allowance could be and in practice is made to allow agent representation of a government. Such is the relationship between a contracting officer (agent) and the government (principal) in the procurement process.

Definition Synthesis. Agent: A person who is authorized to represent or act for another person or other legally recognized entity, referred to as a principle, in the completion or attempted completion of a transaction involving a third party.

Term # 4. Amendment.

Discussion of Literature. Definitions for the term amendment were found in surprisingly few publications. In fact, the two published definitions were located in dictionaries, one legal and one general. Although the sources target different audiences the two definitions defined the term similarly. Black's Law Dictionary defines amendment as follows, "to change or modify for the better. To alter by modification, deletion, or addition" (6:74).

The FAR provides some limitation to the general meaning of this term. Within government procurement circles, the two terms "amendment" and "modification" although similar in meaning have disparate connotations. While modifications are changes made to contracts, amendments are changes made to solicitations (requests for proposals or invitations for bids). In either case, the changes are usually accomplished by the contracting officer through the use of a Standard Form 30. FAR parts 14.208 and 15.410 form the basis of the synthesized definition.

Definition Synthesis. Amendment: A change or correction made to a solicitation (the contracting officers

request for either a proposal or sealed bid) generally accomplished on a Standard Form 30. Changes or corrections can be made, but are not limited, to the following; quantity requirements, specifications, delivery schedules, bid opening dates, or defective or ambiguous solicitations. The changes are provided to potential bidders if the lack of such information would be prejudicial to uninformed bidders or if such information is necessary to accomplish bid submission.

Term # 5. Anti-Deficiency Act.

Discussion of Literature. The NCMA Desktop Guide to Basic Contracting Terms mistakenly identified this act as a regulation. "A regulation prohibiting the obligation of government money in advance of an appropriation or in available appropriation" (16:7). The Anti-Deficiency Act is part of Public Law 97-258 and therefore has a higher precedent than do regulations in general. The Anti-Deficiency Act is incorporated into title 31 of the United State Code.

The majority of the literature defined the "Anti-Deficiency Act" by its salient features and not by its authority as a public law. The definition published in the DOD Glossary Defense Acquisition Acronyms and Terms epitomizes this type of definition.

The salient features of this Act include: (a) prohibitions against authorizing or incurring obligations or expenditures in excess of amounts

apportioned by the OMB or in excess of amounts permitted by agency regulations; and (b) establishment of procedures for determining the responsibility for violations and for reporting violations to the President, through OMB, and to the Congress. (14:4)

Whether defined as a regulation or by its features, the primary thrust of the act is to establish prohibitions against authorizing or incurring obligations or expenditures greater than either: 1. an amount apportioned by the Office of Manpower and Budget (OMB) or, 2. agency regulations permit. Further, the Act calls for the establishment of procedures regarding the determination of responsibility for and the reporting of such authorizations to OMB, the President, and to Congress.

Definition Synthesis. Anti-Deficiency Act: A part of Public Law 97-258 coded into title 31 United States Code which prohibits the authorization or incurrence of obligations or expenditures greater than the funds apportioned by the Office of Manpower and Budget (OMB) or greater than allowed by agency regulations. The Act calls for procedures regarding the determination of responsibility for, and the reporting of such violations to OMB, the president, and to Congress.

Term # 6. Best And Final Offer (BAFO).

Discussion of Literature. A review of the literature revealed only one published definition of the term "best and final offer." Although the meaning of the term appears both general and self-explanatory, this term



has a specific meaning within the discipline of government procurement. Indeed, the published definition was found in the NCMA publication, Desktop Guide to Basic Contracting Terms which defines this term as follows:

A final proposal submission by all offerors in the competitive range submitted at a common cut-off date at the request of the contracting officer after conclusion of negotiations. (16:9)

Because no expanding or limiting definitions were observed, the definition was examined in light of FAR 15.611, which specifically addresses best and final offers. The definition synthesis was accomplished by combining the published definition with the information contained in the referenced FAR citation.

Definition Synthesis. Best And Final Offer (BAFO): A contractor's last proposal submission which generally reflects the most favorable terms to the government. Such a proposal is submitted after the conclusion of negotiations but prior to a common cutoff date, by all contractors in the competitive range, in response to a contracting officer's request for such offers.

Term # 7. Bid Bond.

Discussion of Literature. Although the definitions for the term "Bid bond" were basically identical, only a few sources defined the term. This lack of recognition of the subject term suggests that the term is not widely used. However, a number of sources including the

Federal Acquisition Regulation define a similar term, "bid guarantee". FAR 28.101-1 includes bonds and insurance under the heading of "bid guarantees". Among the published definitions of the term "bid guarantee" was the following definition.

A form of security assuring that the bidder (a) will not withdraw a bid within the period specified for acceptance and (b) will execute a written contract and furnish required bonds, including any necessary coinsurance or reinsurance agreements, within the time specified in the bid, unless a longer time is allowed, after receipt of the specified forms. (29:19)

Of the definitions of the term "bid bond", the definition provided in the NES Dictionary of Estimating Terminology appears as the most clear. "A guarantee furnished by a prospective contractor assuring that he will enter into a contract on which he has bid if it is awarded to him" (18:12).

The only difference among the published definitions of this term was a limitation provided by in John Berenyi's publication The Modern American Business Dictionary which defined a bid bond as, "a bond that a bidder must post when seeking a contract for construction of a public improvement" (5:40).

Because the published definitions were clear and concise, an extensive discussion of the literature is omitted. Presented below is the definition as published by Banki amended to incorporate the limitation of use within the public sector.

Definition Synthesis. Bid Bond: In government contract administration, an insurance concept by which a third party agrees to be liable to pay a specific amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as a bid.

Term # 8. Component Breakout.

Discussion of Literature. Although the term "component breakout" is found in FAR 7.105 (b)(2)(ii), neither the FAR nor the literature reviewed contained a formal definition of this term. Therefore, the synthesized definition is the combination of the published definitions of the terms "component" and "breakout."

The term "component" was defined by Banki as, "An inclusive term used to describe a subassembly or part that goes into higher level assemblies" (4:215). This definition was expanded by the National Cost Estimating Society's Dictionary of Cost Estimating Terms and Phrases to mean a self contained element, comprised of a combination of parts, sub-assemblies, and assemblies, contained in a complete operating end item. The subject NES definition is provided below:

An article which is normally a combination of detail parts, subassemblies, and assemblies, is a self-contained element of a complete operating equipment end item, and performs a function necessary to the operation of that equipment. It is normally a WBS element of the second lower level below a subsystem (that is, below an equipment item). (17:29)

The term Breakout was defined in the DSMC publication Glossary Defense Acquisition Acronyms and Terms as the execution of an acquisition strategy to convert some parts or systems components from contractor furnished to government furnished items.

Execution of acquisition strategy to convert some parts or systems components from contractor furnished to government furnished. Rather than having prime contractor provide from its sources, government goes out to industry direct and procures items. (14:9)

Although this definition presents a logical explanation of the term component breakout, further clarification of the term component is made in the synthesized definition.

Definition Synthesis. Component Breakout: The execution of an acquisition strategy to convert some items, usually parts or self contained elements of a complete operating equipment end item, from contractor furnished to government furnished items.

Term # 9. Consideration.

Discussion of Literature. The term "consideration" has its basis in contract law. The following definition is taken Bryan Garner's book, entitled A Dictionary of Modern Legal Usage, and shows the common usage of this term.

Legal Sense. The law uses consideration in a technical sense generally unknown to laymen: "the act, forbearance, or promise by one party to a contract that constitutes the price for which he buys the promise of the other" (CDL). This word is one of the lawyer's basic TERMS OF ART. (24:144)

Garner's definition indicates that consideration is something of value given in exchange for something else of value, generally a promise, a service, a product, or the relinquishing of a legal right. This concept is supported by John V. Terry his book entitled Dictionary for Business and Finance. Terry defines "consideration" as follows:

Anything of value (e.g., money, personal services, love and affection, etc.) given to induce entering into a contract without which no contract is valid. In certain policies, the promise to pay is the consideration, such as in most property and liability policies. (36:79)

Additionally, several of the definitions noted that consideration is one of the vital elements of a valid contract. This element of consideration is supported by the definition as published in the Barons Educational Series publication entitled simply Law Dictionary. This definition is presented below.

CONSIDERATION the inducement to a contract, something of value given in return for a performance or a promise of performance by another, for the purpose of forming a contract; one element of a contract that is generally required to make a promise binding and to make the agreement of the parties enforceable as a contract. (25:90)

Fundamentally, a contract is the concurrent exchange of valid considerations. For example, the exchange of promises by two individuals; one promise for the performance of a specific service or services, and one promise for payment of the same. Several of the sources defined consideration as

the benefit one party receives or the inducement offered for entering into a contract.

The inducement to a contract. The cause, motive, price, or impelling influence which induces a contracting party to enter into a contract. The reason or material cause of a contract. (6:277)

One of the published definitions restricted the definition of consideration to time and/or money. Because the source specifically addressed the government procurement industry, this limitation is stated in the synthesized definition.

Definition Synthesis. Consideration: Anything of value, generally time and/or money within government procurement, given as an inducement to enter a contract and which makes a contract valid, or as payment for a product or service.

Term # 10. Cost Analysis.

Discussion of Literature. The synthesis of a definition for the term "cost analysis" was not difficult to perform. None of the published definitions varied significantly from the definitions as published in the Federal Acquisition Regulation or the following definition found in The National Institute of Government Purchasing's publication, The Dictionary of Government Purchasing Terms.

The review and evaluation of a contractor's cost or pricing data. May include the judgmental factors applied in projecting from the data to the estimated costs in order to form an opinion. It includes appropriate verification of cost data, evaluation of specific elements of costs, and projection of these

data to determine the effect on price factors, allowances for contingencies, and the basis used for allocation of overhead costs. (19:8)

A second, more thorough, definition, is found in the Armed Services Pricing Manual (ASPM) which defines "cost analysis" as follows:

Cost analysis: The review and evaluation of a contractor's cost or pricing data and of the judgmental factors applied in projecting from the data to the estimated costs. The purpose is to form an opinion leading to a position on the degree to which the contractor's proposed costs represent what contract performance should cost, assuming reasonable economy and efficiency. It includes appropriate verification of cost data, evaluation of specific elements of costs, and projection of these data to determine the effect on price factors like cost necessity, allowances for contingencies, and the basis used for allocation of overhead costs. (11:B-3&4)

Although thorough, the definition appears both lengthy and cumbersome. Additionally, the ASPM definition minimizes the concept of cost element examination and fails to mention the situations in which cost analysis becomes necessary. The proposed synthesized definition borrows extensively from the ASPM definition but also corrects the noted deficiencies.

Definition Synthesis. Cost Analysis: An examination, verification, and evaluation of a contractor's cost or pricing data, at the cost element level including profit, and of the judgmental factors applied in projecting the total estimated cost from the data. In the absence of adequate competition, such reviews are necessary to develop a position on whether the contractor's proposed costs

represent what contract performance should cost (or should have cost) assuming reasonable economy and efficiency.

Term # 11. Delegation.

Discussion of Literature. The published definitions of the term "delegation" were found in sources of a legal, general business, or management background. These definitions were in general agreement on the meaning of the term. Generally "delegation" was defined as follows, "the transfer of authority by one person to another" (6:383).

The common elements of the definitions included the assignment or transfer of authority from one individual to another for the accomplishment of a specific task. Most of these definitions noted a superior/sub-ordinate relationship as well as the accountability of the subordinate for the task assigned.

An administrative process of assigning duties to be performed, and conferring authority to subordinate, necessary to accomplish the result expected, and holding him accountable for his actions. (4:255)

Although no definitions unique to the government procurement environment were found, this term does have meaning specific to government procurement. FAR 42.202 uses the term's verb form, delegate, as it addresses the assignment of contract administration to a contract administration office. Generally, such administrative duties are specified in FAR 42.302.



As in the published definitions, the FAR verbiage also indicates the transfer of authority from one to another. However, FAR 42.202 does not indicate a superior/subordinate relationship. Rather, the relationship is one of two distinct entities equally compliant with agency regulations.

Definition Synthesis. Delegation: The transfer of authority, from one government agency to another, to accomplish the contract administrative tasks as listed in FAR 42.302, unless withheld by the agency transferring the authority, and other contract administrative tasks as agreed between the two agencies.

Term # 12. Direct Labor.

Discussion of Literature. The review of literature revealed dual meanings for the term "direct labor". The literature was divided almost evenly between the usage of direct labor as an activity which is specifically identified to and clearly responsible for the units produced, and the charges associated with the same.

Semantically, only the first definition of direct labor, as an element of production, is correct. The definition found in the Glossary Defense Acquisition Acronyms and Terms is representative of these definitions.

Labor that is specifically identified with a particular final cost objective. Manufacturing direct labor includes fabrication, assembly, inspection and test for constructing the end product. Engineering direct labor consist of engineering labor such as reliability, quality assurance, test, design, etc.,

that is readily identified with the end product.  
(14:24)

The second definition more accurately defines the term "direct labor charge". This element of the term is stated by Albert Giordano who defines direct labor as the "cost of wages paid to workers; cost of labor applied directly to a product in processing" (27:47). However, because it appears that usage of the second definition is also prevalent within the business environment, the synthesized definition contains each of these elements.

In its Dictionary of Cost Estimating Terms and Phrases, the National Estimating Society expanded the definition of direct labor by stating that direct labor bears "full overhead". Although this is generally true, labor need not be burdened with overhead in order to be considered direct. Therefore, the element of overhead burden is not reflected in the synthesized definition.

Definition Synthesis. Direct Labor: That labor which can be identified to specific materials, subassemblies, assemblies or production units and/or to final cost objectives or the costs associated with the same.

Term # 13. Disclosure Statement.

Discussion of Literature. The published definitions of the term "disclosure statement" were found within sources primarily related to government procurement. This comes as no surprise as the information contained

within a disclosure statement would be considered proprietary in a strictly commercial environment.

Although all of the definitions contained some basic elements, some of the sources contained much more insight into the meaning of the term. In its publication, Desktop Guide To Basic Contracting Terms, the National Contract Management Association states the fundamental concepts of the subject term.

An official statement in which persons or firms are required to describe their contract cost accounting practices by providing data responsive to the requirements of the government's Cost Accounting Standards. (16:19)

Additional information regarding the requirements for such a statement was found in the Department of Defense Inspector General publication IG DOD 5000.2-1. This source limited the requirement for Disclosure Statements to " . . . all Defense contractors who enter into negotiated National Defense contracts in excess of \$100,000, unless certain exceptions apply . . ." (15:19). The exceptions were procurement situations with established catalog or market price, or where the price was set by regulation. Additionally, this Inspector General publication indicated that public law 91-379 enforced the Cost Accounting Standards Board requirement for disclosure statements.

A final source, the Government Contract Guidebook, provides insight into the form of the actual submission of

this statement. Of the disclosure statement, Arnavas and Ruberry state the following:

A statement (typically a Form CASB-DS-1) designed to meet Cost Accounting Standard requirements on which contractors describe their cost accounting practices by providing data that are responsive to the requirements. (2:GL-9)

Definition Synthesis. Disclosure Statement: A defense contractor's written description of its cost accounting practices as required under public law 91-379 and government cost accounting standards. This description, usually provided on a form CASB-DS-1, is required for all negotiated procurements with a dollar value greater than \$100,000.00 unless it is determined the price meets the criteria of established catalog or market prices or is set by regulation.

Term # 14. Established Market Price.

Discussion of Literature. The literature review yielded definitions which showed no difference in content. However, the definitions varied slightly in the style of presentation of the various concepts associated with this term. The following definition, published in the Armed Services Pricing Manual encompasses all the elements contained within the various definitions.

A current price, established in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor, although such pricing data may have come from the seller. (11:7)

What is believed to be a stylistic error was common to all the published definitions. This error is using elements of the term, specifically the words "established" and "price" in the definition of that term. This error is corrected in the synthesized definition

Because the definitions disclosed no real difference in the meaning of the term, it is believed that this term is seldom misinterpreted within the procurement discipline. Therefore, further discussion is omitted. The definition as published in the Armed Services Pricing Manual is adapted, and presented as the synthesized definition.

Definition Synthesis. Established Market Price: The current, generally accepted, monetary value of a particular item, determined in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor, although such pricing data may have come from the seller.

Term # 15. Executed Contract.

Discussion of Literature. The literature revealed that two separate concepts are associated with this term. The first concept is that of a signed contractual document. Among the definitions, the definition provided by the NCMA expresses this concept most clearly.

A written document, signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be

met by both parties in the performance of the contract.  
(16:20)

The second concept associated with this term is that of a fully completed contract. The following definition was excerpted from Black's Law Dictionary. "(A) contract which has been performed. If performed in part, it is partially executed (executory); if entirely performed, it is fully or wholly executed" (6:509).

A number of the sources stated both of these elements in their definition. Such was the case with the Department of the Air Force's book entitled Government Contract Law which defined an executed contract as "a contract completely performed; also , a signed contract" (10:B-4).

One stipulation noted in the published definitions was that the signed contract should be sealed and delivered, furnished, or in the possession of each party. Because there were no other limitations contained within the published definitions, the definition below was synthesized by combining and paraphrasing the published definitions.

Definition Synthesis. Executed Contract: Either a written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party, or the complete performance, by each party, of all requirements, terms, and conditions contained in the signed document.

Term # 16. Make or Buy Program.

Discussion of Literature. The literature yielded definitions which were very similar. The common aspects of the definitions are represented in the following definition found in an Air Force publication entitled Compendium of Authenticated Systems and Logistics Terms, Definitions, and Acronyms.

That part of a contractor's written plan which identifies the major subsystems, assemblies, subassemblies, and components to be manufactured, developed, or assembled in his own facilities, and those which will be obtained elsewhere by subcontract. (9:422)

The elements deemed common to the definitions included; an element of a contractor's documented plan to develop or produce an end item, the identification of the sub-items necessary for the completion of the end item, and a management decision to either manufacture or purchase the needed sub-items.

Although two of the definitions limited the term to a decision to make an item internally or to purchase the item from a outside source, this limitation fails to provide the reader with an adequate understanding of the processes involved. Additionally, the definition provided by Emmett V. Hearn limited the application of this term to solely prime contractors. Mr. Hearn's definition is published as follows, "a decision by the prime contractor to make the item or to buy it from some subcontractor" (28:308).

Because these definitions appear unduly restrictive, they are not incorporated into the synthesized definition.

The following definition excerpted from Definitions, the DOD Inspector General publication 5000.2-L is clear, concise, and encompasses the primary elements of this term. Therefore, this definition is quoted here as the synthesized definition.

Definition Synthesis. Make or Buy Program:

That part of a contractor's written plan for the development or production of an end item which outlines the subsystems, major components, assemblies, subassemblies, and parts he/she intends to manufacture, test-treat, or assemble and those he/she intends to buy from others. (15:33)

Term # 17. Material Management and Accounting System (MMAS).

Discussion of Literature. The review of literature revealed only one definition for this term. Perhaps this is because the term was recently derived and is generally confined to use within the defense procurement community. The first apparent use of this term within the DOD was in Eleanor Spector's 10 DEC 1987 letter to the Assistant Secretaries of the Air Force, Navy, and Army, and the Deputy Director, Acquisition Management, Defense Logistic Agency.

In this letter Ms Spector indicated the objectives and essential elements of a contractor's material management system. An attachment to the letter specified and



elaborated upon ten (10) specific key elements. Later, Defense Acquisition Circular (DAC) #88-7 defines the term MMAS, generally adopts the ten key elements, and incorporates the above into the Department of Defense Supplement to the Federal Acquisition Regulation.

The synthesized definition is the same as that published at DFAR 242.7202. For further information regarding the 10 key elements of MMAS, the reader is referenced to DFAR 242.7206.

Definition Synthesis. Material Management and Accounting Systems (MMAS):

Material Management and Accounting Systems (MMAS), means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use and disposition of material. MMAS's may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems etc. or they may be essentially stand alone systems. (13:242.7202).

Term # 18. Pre-Award Survey.

Discussion of Literature. A research of the literature yielded definitions which were fairly similar. The majority of definitions included phrases such as: the evaluation of a prospective contractor, and an ability to perform a contract. The most encompassing of these definitions is found in the DSMC publication, Glossary Defense Acquisition Acronyms and Terms, which defines a "pre-award survey" as,

Study of a prospective contractor's financial, organizational, and operational status made prior to

contract award to determine his responsibility and eligibility for government procurement. (14:60)

Although the literature revealed no expanding or conflicting definitions, the Defense Manufacturing Guide for Program Managers indicated that the evaluation was accomplished by the contract administrative office.

A review accomplished by the Contract Administrative Office of a prospective contractor's physical, financial and managerial capability to accomplish the work included in a specific contract effort. (30:B-12)

Although this statement is generally correct, it does not indicate the potential involvement of the buying office or the Defense Contract Audit Agency (DCAA). The DCAA Audit Manual provides some insight into that agency's participation:

A pre-award survey is performed at the specific request of a contracting officer prior to an award of a contemplated contract. Normally, there are two categories of information which the auditor may be requested to furnish. One deals with the financial responsibility of the contractor to perform the contract and the other deals with adequacy of the accounting system to accumulate the type of cost information required by the contract. (12:511)

From the literature, the contractor's ability to perform is evaluated on the basis of physical, managerial, and financial capability to perform the terms of the contract. Although not found in the literature, one additional area of concern is the adequacy of the contractor's accounting system.

Definition Synthesis. Pre-Award Survey: An evaluation, generally accomplished by the contract

administrative office, with help from DCAA, if requested, at the request of the procuring activity, of a prospective contractor's ability to perform under the terms of a specific contract. The subject evaluation addresses the physical, managerial, and financial capability of the contractor as well as the adequacy of the contractor's cost accounting system.

Term # 19. Quotation.

Discussion of Literature. The definitions of the term "quotation" showed little variation among the sources. Except for the occasional definition pertaining to the bid and asked price of stocks, the definitions were generally in agreement with each other. The following definitions from separate sources are representative of the common elements found in the published definitions for this term.

"An offer to supply goods at a stated price- usually in response to a enquiry" (8:113).

"An expression of price and contractual terms under which a supplier would be willing to supply items or services" (17:121).

"Generally a sales proposal including price, sales terms, and conditions. A price statement as an offer. A bid" (20:31).

Because the referenced definitions appear clear, no further discussion is deemed necessary. The synthesized definition is an expansion upon these common themes.

Definition Synthesis. Quotation: Generally a sales proposal, either written or verbal, issued by a seller

at the request of a buyer, stating the price of an item, the terms of sale, and a description of the product or service.

Term # 20. Risk Assessment.

Discussion of Literature. The term "risk assessment" was defined in three publications; two associated with government procurement, and one a dictionary of management terms. The two sources peculiar to government procurement jointly defined the term as follows.

The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective, will or will not be attained along the planned course of action. (14:73)  
(15:49)

The third source, Dictionary of Administration and Management by Banki, provided a more universally applicable definition and proposed a list of steps to perform the process of risk assessment. Banki's definition is provided below.

Concept, technique and process for identifying, organizing, quantifying evaluation and analyzing information and data associated with organizational risks, costs and benefits, and their real or perceived relation with contemplated, perceived or proposed decision or action. Generally aimed determining the balance of known or projected cost-effectiveness-benefit results, its basic steps may include (1) definition of the scope of assessment; (2) identification of assumptions; (3) definition of decision alternatives; (4) identification of organizational assets and liabilities; (5) analysis of real or probable impacts; (6) comparison of alternative ideas, resources, techniques and options; and (7) summary of efforts expended and results obtained.  
(3:795)

Although Banki's definition provides one a greater understanding of the general usage of the term, this definition fails to note the specific objectives of cost, schedule, and performance, which are key to DOD procurements.

Because of the deficiency stated above, and because Banki's definition is deemed more lengthy than required to define the term, no aspect of his definition is incorporated in the synthesized definition. Rather, the definition as printed government procurement sources is adopted and printed as the synthesized definition. The published definitions provided no limitations or expansions to the term.

Definition Synthesis. Risk Assessment:

The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective, will or will not be attained along the planned course of action. (14:73)  
(15:49)

Term # 21. Sealed Bid.

Discussion of Literature. While a total of three definitions were located for the term "sealed bid" a number of additional sources used this term in their definition of the term sealed bidding. Indeed, the two terms are inseparable. While sealed bidding is a process, a sealed bid is a vital element of that process.

The common elements of the definitions included a bid, submitted before a specified deadline, in a sealed envelope

to ensure the confidentiality of the information contained therein. The definition provided by the National Institute of Government Purchasing is representative of the other publications and is provided below.

A bid submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids; usually required by a purchasing authority on major procurement to ensure fair competition among bidders. (19:27)

Generally, a bid is a contractor's offer to perform a specific effort at a price submitted by the contractor. If competition is present, such offers are tendered by a number of contractors in response to the purchasing authority's notification of specific effort, statement of required specifications, and request for offers. Such requests are usually called a request for sealed bids.

There were no limiting or expanding elements provided by any of the definitions. However, one deficiency, rectified in the synthesized definition, was the use of the words "bid" and "sealed" as part of the definition of the term sealed bid.

Definition Synthesis. Sealed Bid: A contractor's written offer, submitted prior to a specific deadline, to provide products or services, as specified in the purchasing authority's request for such offers. The offers are submitted in closed envelopes to ensure the confidentiality of the terms of the offer until the time of opening and public announcement of all offers.

Term # 22. Second Source.

Discussion of Literature. A total of three published definitions were located for this term. Surprisingly, this term is defined as an acquisition strategy and not as an alternative vendor for a particular item. The following definition of this term is excerpted from the DOD IG publication Definitions. "Execution of established acquisition strategy to qualify two producers for the part or system" (15:49).

Although in agreement with this definition, the definition found in the NCMA Desktop Guide to Basic Contracting Terms provides a reason why such a strategy is accomplished. "An acquisition strategy that establishes two producers for the same part or system, usually for purposes of competition" (16:33)

Although the researcher is surprised at these definitions, the synthesized definition will not include the concept of an alternative vendor within the definition. Because there were no limiting or expanding definitions to this term, the definition as published by the NCMA is presented as the synthesized definition.

Definition Synthesis. Second Source: "An acquisition strategy that establishes two producers for the same part or system, usually for purposes of competition" (16:33).

Term # 23. Source Selection.

Discussion of Literature. The term source selection appears to be a term limited to use within the government procurement environment as the definitions were found in publications unique to government procurement. Although six sources defined this term, there were only three distinct definitions. Even these definitions varied in the choice of words used to express the common concepts. The following definition was found in three separate publications.

The process wherein the requirements, facts, recommendations and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made.  
(14:76) (15:51) (30:B-17)

The sole limitation, and indeed the only variation, was presented by the National Estimating Society, among others, in their Dictionary of Estimating Terminology. The NES definition limited the definition by adding the word "negotiated" to the term "competitive procurement".

The process wherein the requirements, facts, recommendations and Government policy relevant to an award decision in a competitive negotiated procurement of a system, subsystem, or project are examined and the decision made. (9:636)

However, because this expansion appears insignificant, and because no other expansions or limitations to the term were found, the synthesized definition is the definition provided by the DOD IG, and the Defense Systems Management College.



Definition Synthesis. Source Selection:

The process wherein the requirements, facts, recommendations and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made.  
(14:76) (15:51)

Term # 24. Synopsis.

Discussion of Literature. The two definitions published for this term were provided by Black's Law Dictionary and by the Desktop Guide to Basic Contracting Terms. The first definition, provided by the law dictionary provided a general definition of the term synopsis. " A brief or partial statement, less than the whole; an epitome; . . ." (6:1300).

The second definition, provided by the NCMA, applied the general meaning of the term to the government procurement discipline. Support for the NCMA definition is found within FAR part 5 which specifically addresses the publication of contract actions. Because this definition appears clear and concise as printed, it is taken directly from the NCMA publication and used as the synthesized definition.

Definition Synthesis. Synopsis:

An abbreviated description of a procurement which is published in the Commerce Business Daily in advance of the procurement, along with the contracting officer's name, for the purpose of informing the commercial world of the opportunity to bid or submit an offer. (16:35)

Term # 25. Weighted Average Cost Method.

Discussion of Literature. The term "weighted average cost method" has its origin in cost accounting. Most of the definitions are in agreement in that they indicate the term refers to a mathematical technique used in inventory valuation. The following definition found Terminology for Public Accountants defines term as follows.

An average cost computed from a series of items where each item has been multiplied by a factor indicative of its importance to the total value of the series. (7:17)

Lane K. Anderson, in his book entitled Accounting for Government Contracts defines this term and provides greater insight into this technique.

An inventory costing method under which an average unit cost is computed periodically by dividing the sum of the cost of beginning inventory plus the cost of acquisitions, by the total number of units included in these two categories. (1:20-7, 8)

Lastly, a similar definition was provided by Jay N. Nisberg in The Random House Handbook of Business Terms which defined this term as follows:

1. Also called weighted average cost. The average cost of a unit of inventory, calculated by dividing the total cost of all items (even if they were bought at various costs) by the total number of units. See also FIFO; LIFO. 2. The average value for a group of items, where one or more of the individual items are assigned an extra degree of importance. (32:298)

Interestingly, only Siegel and Shim's definition specifically addressed work in process in their publication Dictionary of Accounting Terms. This definition is presented below:

Procedure for computing the unit cost of a process. Beginning work-in-process inventory costs are added to the costs of the current period, then a weighted average is obtained by dividing the combined costs by the equivalent units. Thus, there is only one average cost for goods completed. (35:457)

The implications of this element of the definition are significant. Process costing is used when homogeneous products are made and the cost of materials consumed cannot be directly associated with a unit of the specific item produced.

A good example of a use of process costing would be the refining of petroleum in the production of gasoline. Although the price of crude oil may change, that specific change cannot be traced to specific units of gasoline. This is because the petroleum used in the production of thousands of units of gasoline were purchased at both the previous and current prices.

The significance of the weighted average cost method as a costing technique is seen when one considers the production environment. The initial valuation of inventory affects the cost of goods made, and therefore the cost of goods sold and profitability of the end item. Additionally, the cost of goods made affects the value of inventory held for future sale or for use in the production of higher level end items.

#### Definitions Synthesis. Weighted Average Cost

Method: A method of determining the average unit cost of

inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

### Summary

This chapter presented an overview of the major activities of the pre-award phase of the federal acquisition process as well as the synthesized definition for each term. In accomplishing this definition synthesis, a sample of the published definitions for the terms was also presented. The development of the synthesized definitions is an important segment of this effort as these definitions form the basis of the survey of contracting professionals as outlined in chapter III of this effort.

### III. Methodology

#### Background

Because this is a replicative effort, the methodology used in this thesis will closely parallel the methodology established by LCDR Daniel Ryan. Use of LCDR Ryan's methodology is appropriate for two reasons. First, Ryan's methodology was used and verified by subsequent researchers in similar thesis efforts. Second, this researcher examined and found no fault with the methodology.

#### Methodology Overview

In its simplest form, the methodology of this thesis is reduced to six steps. Although each step is later reviewed in detail, the steps are summarized immediately below:

1. Generation of list of candidate terms,
2. Selection of terms for treatment,
3. Performance of a literature review of each selected term (accomplished in Chapter II),
4. Synthesis of initial definitions based upon the literature review,
5. Survey of procurement professionals, and
6. Analysis and incorporation of respondent comments into a final synthesized definition.

#### Detailed Methodology

Generation of Candidate Terms List. The generation of candidate terms for this thesis was achieved through two primary sources. The first source was the previous research

efforts which generated lists of terms appropriate for similar treatment. Use of these lists is supported by the fact that the researchers, through the accomplishment of similar efforts, were aware of both the nature of the problem and terminology in need of clarification.

The second source was a brainstorming session among the researchers of the AFIT class of 90S which are conducting similar or related efforts. Among these researchers were Capt R Indvik (USAF), Capt L. Moyle (USAF), Capt D. Matro (USAF), and Capt B. Hauf (USAF). Although not experts in the field of procurement terminology, it was felt that an agreement among the researchers on the merit of the clarification of a specific term would increase the validity of the research effort.

Term Selection. Admittedly, the process of selecting the terms for treatment is biased by the researcher. Perhaps the bias could have been overcome through the use of random sampling. However, there is no evidence to indicate that such techniques would have yielded an improved document. In the end, random sampling was rejected.

In developing selection criterion, only two constraints were found. The first constraint results from the partitioning of the into its multiple service components: the Army, Navy, and Air Force. Although each agency follows Federal and DOD guidance, there are procedural differences and distinctions in terminology between the agencies. In an

effort to make the definitions as universally applicable as possible, terms which are agency unique have been excluded.

The second constraint results from the distinction between the pre and post award phases of the procurement process and a self imposed limitation to address terms primarily associated with the former. The rationale here is simply to make the thesis more specific and, therefore, more useful to its readers.

Within these constraints, terms were chosen solely at the discretion of this researcher. Selection of the terms is based on the researcher's impression of each term's lack of clarity or the researcher's interest in learning more about a specific concept.

Literature Review. Because each of the validated terms requires a separate literature review, the review of literature constitutes a significant amount of effort. For this reason the complete literature review is contained in chapter II. However, this section does identify the specific requirements of an acceptable literature review and provides an example of the standard format for reporting the results of the same.

The sources of an appropriate literature review were first identified by LCDR Ryan. These same sources have been used by subsequent researchers and in this effort. Summarizing these sources, LT Downs (USN) states,

Utilizing the methodology established by LCDR Ryan, materials such as published dictionaries, glossaries from textbook, handbooks, guides, and compendiums, published articles in professional journals, Department of Defense (DOD) and Service directives, and instructions were utilized to provide word meanings as used in practice. Other sources included Federal agency regulations and a review of publications and periodicals related to the field of Federal contracting. (21:7)

For the purposes of this thesis, the literature review for each word shall contain at least four different sources. If four different sources are not found the researcher shall so state. Contained within Appendix C is the denotation of definitions found for the treated terms and terms closely related to them.

Synthesis of Definitions. The development of initial definitions is the subject of Chapter II of this thesis. The method used in this thesis to develop each synthesized definition is similar to that used by both previous researchers. Essentially, the synthesis of the initial definitions is accomplished based on the researcher's review of literature. However, the presentation of the literature reviewed and researcher comments are structured and expanded. This is accomplished to provide the reader greater familiarity with the terms and an increased ability to analyze the validity of the synthesized definition than have previous efforts.

For each term, a discussion of the literature reviewed is presented. This discussion identifies the primary



elements of the term, as well as concepts which expand or limit the primary elements.

The Survey. This section contains information regarding both the survey procedure and the survey instrument. Once again this thesis largely replicates the survey procedures and the survey instrument format developed by previous researchers.

Survey Procedure. The survey was administered (mailed) to a sample of 130 randomly selected NCMA Fellows. The sample was selected from a population of 687 NCMA fellows. With this number of surveys, it was felt that a response rate as low as 20 % would enable the researcher to arrive at a consensus definition for each term. On the assumption that NCMA Fellows were busy, though responsible individuals, no follow-on mailings, such as survey reminders or survey packages, would be made.

Survey Population. The NCMA Fellows were chosen as a survey population based on their level of knowledge of the procurement profession. The Fellows are generally considered the elite of government procurement. Many of whom have witnessed the evolution of terminology used in this developing profession. To become one of these procurement elite, one must meet or exceed the NCMA's rigorous qualification requirements. In all there are thirteen categories of evaluation including academic training, work experience and/or managerial experience in

the contracting field, participation in the NCMA at both the local and national levels, and the teaching of courses related to contract management. A copy of the NCMA Fellow application is at Appendix D.

Sample of Survey Format. Although a portion of the survey, including cover letters, instructions, and the survey format, is found at Appendix B, a sample of the survey format is presented below:

1. ABSORPTION COSTING: A method of determining the cost of a unit of production, at various stages of completion, or service provided, which treats fixed indirect costs as product costs. Under absorption costing, a unit's total cost is equal to the sum of the allocated fixed indirect costs, and the costs of direct material, direct labor, and variable overhead.

☐ Generally Agree

☐ Generally Disagree

Suggested Changes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Antonyms: \_\_\_\_\_

Synonyms: \_\_\_\_\_

In this survey, the Fellows are presented a term and a proposed definition and are asked to list any known antonyms or synonyms. Based on their knowledge of this term the respondents are asked to identify any changes they feel appropriate. Additionally, in an effort to validate the knowledge bases of the respondents, the survey also asks

each respondent a number of questions regarding their professional and educational background.

The survey is qualitative and open ended in nature; much like a brainstorming session where a number of people generate ideas. However, unlike a group encounter, each respondent can make comments without the potential for intimidation present in group situations.

Arriving at a Consensus Definition. The derivation of the consensus definition is the subject of chapter IV. In this chapter, the suggestions made by the respondents to improve the synthesized definitions are stated, analyzed, and incorporated into a final, proposed definition for each term. However, it is appropriate to address the method of analysis used and to summarize the format of the presentation of material.

Analysis of Respondent Comments. Respondent comments will be analyzed for conceptual and grammatical content. The incorporation of respondent comments into the proposed definition of each term will depend upon the following factors.

1. The level of respondent agreement, as indicated by the survey document, with the synthesized definitions.
2. The number of similar suggestions made by the respondents to improve the definition of a specific term.
3. The merits of a suggestion as defined and supported by individual respondent(s).

### Summary

Chapter III presents the methodology of this thesis. Although the methodology used is not conceptually difficult the reader should be familiar with the chronology of events and perceived benefits of the qualitative aspects of this effort. Should the reader not recall the order of the elements of this effort, the reader is referenced to the beginning of the chapter where a summary of the elements is provided.

#### IV. Survey Analysis and Final Definitions

##### Introduction

This chapter presents the results of the survey of NCMA Fellows regarding their perception of the accuracy of the synthesized definitions for each of the twenty-five terms. Also presented are the proposed definitions, the synthesized definitions improved by the incorporation of appropriate Fellow comments. Prior to discussion of the terms, an analysis is made of the background and qualifications of the responding NCMA Fellows.

##### Background and Qualification of Respondents

This section addresses the background and qualifications of the Fellows responding to the survey. Of the one hundred and thirty surveys mailed, forty were returned. However, one survey was not completed. Therefore, the total number of surveys evaluated is thirty-nine; a response rate of thirty percent. For a presentation of the specific questions forming the basis of this discussion, the reader is referenced to Appendix B of this thesis.

Academic Training. Only one of the Fellows indicated the absence of a Bachelor's degree. The fields represented at this level of education included, commerce, business administration, engineering, international affairs, international relations, and marketing management.

Nineteen of the respondents have earned a master's degree. The fields of study at this level included the following: public administration, business administration, political science, commercial sciences, industrial management, systems management, and contract management. Three additional respondents indicated that they were presently or had been enrolled in graduate studies.

The responses indicate that three of the Fellows had Bachelor of Law degrees, and that four had Jurist Doctorate degrees. One of four, earned an advanced legal degree, LL.M. Additionally, two of the respondents indicated they were presently enrolled in law school.

As a final indication of the level of academic accomplishment, two of the Fellows indicated the achievement of Ph.D. degrees. Only one field of study was stated, that field was "Philosophy (Mgt)".

Contract Management/Procurement Experience. None of the survey respondents had less than five years of experience in the contracting/procurement field. Additionally, only two respondents indicated they had less than ten years experience. Of the remaining thirty-seven respondents, one expressed an experience level of between eleven and fifteen years, eight expressed a level of between sixteen and twenty years and twenty-eight respondents indicated experience in this field in excess of twenty one years.

Although it is not possible to determine the actual average experience level based on these numbers, a conservative approximation is presented. For purposes of this approximation, the mean number within each category 8, 13, 18, and the least number of the last category 21 are multiplied by the number of responses within each category. Then numbers are summed, and the sum divided by the total number of respondents. The average experience level using this procedure is approximately 19.5 years. This figure is considered conservative because it is unlikely that respondents in the "21 and up" category had only 21 years of experience.

Current Contract Management/Procurement Field. The statistics related to this section are unclear because seven of the respondents identified more than one current position or field of contract management; the respondents were to choose from among the categories of government contracting, commercial contracting, academia, or other and then specify.

The majority, twenty-nine of the of the thirty-nine respondents, indicated government contracting as their current field. While six of the respondents chose academia, and only three chose commercial contracting. Of the "other" category four of the respondents indicated they were retired, three were consultants, and one worked in "assisting small business in (the ) gov't procurement process".

Area(s) of Expertise. This section was not intended to limit respondents choice to one field. Appropriately, a number of respondents indicated they felt proficient in more than one area of expertise. Although all the areas of expertise stated on the survey are represented by the sample, contract management was the most represented. The indications were tallied and are summarized below.

Law . . . . .	9
Finance/Economics/Accounting. . . . .	6
Engineering . . . . .	2
Contract Management . . . . .	31
Production Management . . . . .	8
Logistics Management. . . . .	5
Program/Project Management. . . . .	11
Commercial Purchasing . . . . .	4
Other (please specify). . . . .	4

Within the "other" category, one respondent indicated that "all areas" were considered that respondent's specialties. Two others stated that quality or market planning was their specific area of expertise. Additionally, one individual cited Government/Industry relations as an area of expertise.

#### Respondent Comments and Proposed Definitions

This section presents the results of the survey in a constant format. Each sub-section identifies the term of



treatment, its originally synthesized definition, and a summary of respondent suggestions to improve the definition. Lastly a final definition, based on the consensus of the respondents and individual respondent comments is proposed for publication, along with any known synonyms or antonyms, in a forthcoming dictionary of contracting terms.

TERM # 1. Absorption Costing.

Synthesized Definition. Absorption Costing: A method of determining the cost of a unit of production, at various stages of completion, or service provided, which treats fixed indirect costs as product costs. Under absorption costing, a unit's total cost is equal to the sum of the allocated fixed indirect costs, and the costs of direct material, direct labor, and variable overhead.

Survey Results. The feedback from the respondents indicate that thirty-six agreed with the synthesized definition. While none of the respondents noted disagreement, three did not voice an opinion. Although the synthesized definition generated comments from only seven of the Fellows, no two comments were the same. A summary of the comments is presented below:

- Insert "actual" preceding the words "cost of a unit."
- Delete the word "variable" and insert "applicable."
- Identify and expand impact on income measurement.
- Relate concept to purchased parts or services and distinguish situations of applicable use.

The synthesized definition is changed to incorporate only two of the comments. The word "actual" is inserted as suggested and the word "variable" is replaced by the word "applicable."

Proposed Definition. Absorption Costing: A method of determining the actual cost of a unit of production, at various stages of completion, or service provided, which treats fixed indirect costs as product costs. Under absorption costing, a unit's total cost is equal to the sum of the allocated fixed indirect costs, and the costs of direct material, direct labor, and applicable overhead.

Antonyms. Direct costing.

Synonyms. Full cost accounting.

Term # 2. Adequate Price Competition.

Synthesized Definition. Adequate Price Competition:

A condition that serves as an exemption from the requirement for submission of cost or pricing data. This condition exists when two or more responsible offerors compete independently and submit proposals deemed responsive to a solicitation, and there is no evidence that competition was restricted or that the lowest price is unreasonable. (11:B-1)

Survey Results. Thirty-three of the Fellows agreed with the definition as adopted. However, six respondents expressed disagreement. This definition generated numerous suggestions, many of which expressed similar thoughts. These comments include the following:

- Delete the first sentence; not germane to the definition.
- Reverse the order of the sentences because the second sentence is of greater importance and should be the lead in.
- Replace the word "serves" with either of the words "could serve" or "should serve" as contracting officers often ignore this aspect and ask for cost or pricing data anyway.
- Address competition in relation to dealers; dealers are not original equipment manufacturers and do not constitute true competition.
- Use FAR definition word for word.
- Indicate that adequate price competition is present when a contractor believes he is in a competitive environment, even if his is the only proposal.
- Delete last clause , "and there . . . unreasonable." "This clause allows the contracting officer to require data when there should be a statutory exemption."
- Change wording of last clause to "there is no evidence that competition was restricted or that the lowest price is likely to jeopardize performance by the offeror." The lowest price may be predicated on an unsound pricing practice.
- Omit this term from the effort.

The comments suggest that much of the disagreement encountered results from the divergent viewpoints of

contractor and government personnel. In an effort to clarify the term's meaning, as it relates to federal procurement, the FAR was again consulted. However, no such FAR definition was found. A number of changes are made to the synthesized definition. While the second sentence is adapted and presented prior to the first, the first sentence is omitted.

Proposed Definition. Adequate Price Competition:

A condition which exists when two responsible original equipment manufacturers compete independently and submit responsive proposals, and there is no evidence that competition was restricted or that the lowest price is likely to jeopardize performance by the offeror.

Antonyms. Sole source.

Synonyms. None

Term # 3. Agent.

Synthesized Definition. Agent: A person who is authorized to represent or act for another person or other legally recognized entity, referred to as a principal, in the completion or attempted completion of a transaction involving a third party.

Survey Results. Thirty-six of the respondents agreed with the definition as synthesized. Two of the three remaining respondents disagreed and one had no comment. This definition caused little dissent among the Fellows. The few comments that arose are listed below.

- "Line 1 insert a comma after 'represent' delete 'or,' insert a comma after 'for' and insert after the last word of line 1 'and legally bind.'"

- Indicate that the agent is "usually bound to follow the policies and procedures of the organization for who he acts as an agent."

- Delete " . . . the completion of or attempted completion of . . . " Insert in it place, "in the performance of."

Don't restrict agent to use solely with a second party. Consider also the 3rd, 4th or nth party.

Replace definition with,

one who acts for or in place of another by authority from him; a substitute appointed by a principal with power to do the things which the principal may do; a relationship governed by the law of agency.

Proposed Definition. Agent: A person who is authorized to represent, act for, and legally bind another person or other legal entity referred to as a principal.

Antonyms. Unauthorized representative.

Synonyms. Representative, contracting officer, attorney (if used in proper context).

Term # 4. Amendment.

Synthesized Definition. Amendment: A change or correction made to a solicitation (the contracting officer's request for either a proposal or sealed bid) generally accomplished on a Standard Form 30. Changes or corrections

can be made, but are not limited, to the following: quantity requirements, specifications, delivery schedules, bid opening dates, or defective or ambiguous solicitations. The changes are provided to potential bidders if the lack of such information would be prejudicial to uninformed bidders or if such information is necessary to accomplish bid submission.

Survey Results. While thirty-four of the Fellows agreed with this definition, five did not. There were no abstentions. The comments included:

- Definition is too restrictive. The term applies to contracts, final decisions, pleadings and etc.
- Delete "or correction" as it is redundant.
- Eliminate definition of solicitation as it is extraneous and should be defined elsewhere.
- Delete reference to Standard Form 30. Definition should be applicable beyond federal acquisition.
- "Recommend that ' . . . information is necessary to accomplish bid submission.' should read ' . . . information is necessary to generate responsive bids.'"
- Delete the sentence containing the examples. Changes can be made to any element within the solicitation.
- "A change . . . " should read, "a formal change . . . "

Although a number of modifications occurred as a result of respondent feedback, the content of the definition is largely preserved. The changes include a presentation of a

general meaning of the term followed by its meaning within the federal procurement environment. Additionally, the word "formal" is inserted as suggested and the definition of a solicitation removed.

Proposed Definition. Amendment: In general a change to a document, such as a solicitation or contract, a judgement, or a pleading. Within federal procurement, a formal change to a solicitation, accomplished on a Standard Form 30, which corrects any element(s) of the solicitation. The changes are provided to potential bidders if the lack of such information would be prejudicial to uninformed bidders or if such information is necessary to accomplish bid submission.

Antonyms. None.

Synonyms. In a general sense, modification.

Term # 5. Anti-Deficiency Act.

Synthesized Definition. Anti-Deficiency Act: A part of Public Law 97-258 coded into title 31 United States Code which prohibits the authorization or incurrence of obligations or expenditures greater than the funds apportioned by the Office of Manpower and Budget (OMB) or greater than allowed by agency regulations. The Act calls for procedures regarding the determination of responsibility for, and the reporting of such violations to OMB, the President, and to Congress.

Survey Results. Thirty-three of the respondents agreed with this definition. Additionally, two respondents disagreed and four failed to indicate agreement or disagreement. Fellow comments include the following:

- First sentence, insert the words "appropriated by Congress," and insert comma after (OMB).
- Incorporate concept of criminal sanctions.
- Add, "contracting officers have a primary responsibility to ensure that anti-deficiency act violations do not occur".

These are all seen as worthy comments which would add to the definition without changing its meaning. However, in the interest of definition brevity and because the definition applies to all government officials, the suggestion regarding contracting officers is not incorporated in the proposed definition.

Proposed Definition. Anti-Deficiency Act: A part of Public Law 97-258 coded at title 31 United States Code which prohibits the authorization or incurrence of obligations or expenditures greater than the funds appropriated by Congress, apportioned by the Office of Manpower and Budget (OMB), or greater than allowed by agency regulation. The Act calls for procedures regarding the determination of responsibility for, and the reporting of such violations to the President, to Congress, and to OMB. It also outlines criminal sanctions for violators.



Antonyms. None.

Synonyms. None.

Term # 6. Best And Final Offer (BAFO).

Synthesized Definition. Best And Final Offer (BAFO): A contractor's last proposal submission which generally reflects the most favorable terms to the government. Such a proposal is submitted after the conclusion of negotiations but prior to a common cutoff date, by all contractors in the competitive range, in response to a contracting officer's request for such offers.

Survey Results. Of the respondents, thirty-two agreed with this definition, four disagreed, and three expressed no opinion. A number of the Fellows expressed that the practice is unfair to the contractor and several indicated it should be eliminated as a Federal procurement practice. This definition generated a number of additional suggestions which are summarized below:

- Change the first sentence to, "a contractor's last proposal submission, which should reflect his most favorable offer to the government".
- Replace the word "last" in the first sentence with "latest" and re-address "negotiations" because some agencies negotiate rates after award or selections.
- Insert, in the first sentence ". . . or discussions with all offerors in the competitive range . . ." between the words "conclusion of" and "but".

- Do not indicate that all contractors submit such bids; some may choose to support one already submitted.
- Do not limit term to government; "can't a prime ask a sub for a BAFO?"
- " . . . specify whether or not the proposal may include modification of the specifications, terms and conditions."

- Change the definition to read as follows,

An offeror's final revised proposal submission which should reflect the offeror's best and most favorable terms to the Government. Such a proposal is submitted after the conclusion of meaningful written and oral discussions, negotiations, and in response to a contracting officer's request for such offer by a common cut off date.

- Indicate the appropriate, although unusual, use of more than one request for BAFO's.

Proposed Definition. Best And Final Offer (BAFO):  
A contractors latest proposal submission which should reflect his most favorable offer and which is submitted prior to a common cutoff period. Requests for such offers are made after the conclusion of negotiations or discussions with all offerors in the competitive range.

Antonyms. None.

Synonyms. None.

Term # 7. Bid Bond.

Synthesized Definition. Bid Bond: In government contract administration, an insurance concept by which a third party agrees to be liable to pay a specific amount of

money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as a bid.

Survey Results. While thirty-three of the respondents agreed with this definition, three disagreed, and three expressed no opinion. Six of the respondents provided recommendations which are presented below:

- Change " . . . fails to sign the contract as a bid." to ". . . fails to sign the proposed contract".
- Delete reference to concept, "it (a bid bond) is a type of bond or document".
- Delete the word "a" between the words "as" and "bid".
- Incorporate the following, "the bid bond guarantees payment to the government for any cost of acquiring the work originally bid by defaulted bidder which exceeds the original bid".
- Replace the word "by" with "under," delete "to be liable," and replace all after money with " . . . if the bonded bidder fails to sign a contract as it was bid and accepted by the government".

A number of suggestions are incorporated into the proposed definition. The word "concept" is replaced with "document," and the failure of a bonded bidder to sign an accepted offer is noted.

Proposed Definition. Bid Bond: In government contract administration, an insurance document in which a third party agrees to pay a specific amount of money, if the

bonded (insured) bidder fails to sign a contract as bid and accepted by the government.

Antonyms. None.

Synonyms. Bid guarantee.

Term # 8. Component Breakout.

Synthesized Definition. Component Breakout: The execution of an acquisition strategy to convert some items, usually parts or self contained elements of a complete operating equipment end item, from contractor furnished to government furnished items.

Survey Results. Agreement with this definition was low and disagreement was relatively high. The statistics show thirty-one respondent agreements, seven disagreements, and one no comment. However, for all the disagreement, few constructive comments were made. Several respondents indicated that the concept was "short sighted," not cost effective, or generally did not work. Suggestions for improving the definition are presented below.

- Delete the words "the execution of" from the definition.
- Replace the last phrase with " . . . from contractor furnished to purchase directly from parts vendor".
- Delete the last phrase as it unnecessarily restricts the definition. "The government can take any item and break out its components for separate purchasing - having nothing to do with furnishing them subsequently to subcontractors."

- Replace line one and the first word of line two with, "the reassignment of the responsibility for . . ."
- Simplify the definition to, "buying parts of a complete product rather than the complete unit".
- Amplify the definition. But no amplification provided.
- "Add: Government furnished items are usually purchased directly form the producer."

Proposed Definition. Component Breakout: An acquisition strategy to convert some items, usually parts or self contained elements of a complete operating equipment end item, from contractor furnished to government purchased items.

Antonyms. None.

Synonyms. None.

Term # 9. Consideration.

Synthesized Definition. Consideration: Anything of value, generally time and/or money within government procurement, given as an inducement to enter a contract and which makes a contract valid, or as payment for a product or service.

Survey Results. Feedback from the questionnaire indicated thirty-two of the thirty-nine respondents agreed with the synthesized definition. Of the remaining respondents, five disagreed and two made no distinction. Although thirty-two of the respondents agreed with the definition, twenty made suggestions to improve it. Although

similar suggestions are presented as one, each suggested concept is summarized as follows:

- "Recommend that " . . . inducement to enter a contract and which makes a contract valid . . . " should read " . . . inducement to enter or amend a contract and which is one of the essential elements of a valid contract . . . "
- Delete "within government procurement," should be the same for industry.
- Delete the word "generally".
- First phrase should read "Anything of perceived value, . . ."
- First phrase should read "Anything of reasonable value, . . ."
- Indicate that consideration can also be used in instances of contract changes and modifications.
- Indicate that consideration must exist for both parties.
- Add, "Something of value given by a seller as compensation for a waiver or relief from some contractual requirement."
- "It (consideration) may also include promises to act or to refrain from acting."

Proposed Definition. Consideration: Anything of value, generally time and/or money, given as an inducement to enter or amend a contract, or as payment for a product or

service. Consideration is also an essential element of a valid contract

Antonyms. None.

Synonyms. None.

Term # 10. Cost Analysis.

Synthesized Definition. Cost Analysis: An examination, verification, and evaluation of a contractor's cost or pricing data, at the cost element level including profit, and of the judgmental factors applied in projecting the total estimated cost from the data. In the absence of adequate competition, such reviews are necessary to develop a position on whether the contractor's proposed costs represent what contract performance should cost (or should have cost) assuming reasonable economy and efficiency.

Survey Results. This definition generated thirty-three agreements, four disagreements, and two non-responses. Although a total of seventeen suggestions were made, they represented only six areas of improvement. The comments are grouped together and presented below:

- Eliminate redundancy of "examination, verification, and evaluation".
- Delete second sentence. "It's expository and injectural." (Three such suggestions were made.)
- Add " . . . to arrive at the total price." at the end of line one.

- The area of profit should not be included in the review. (Three such comments were made.)
- Reword definition to eliminate the cost analysis of judgmental factors and address commercial prices and prices set by law.
- Omit the word should from the definition, "should cost has specific meaning".

Proposed Definition. Cost Analysis: An examination, verification, and evaluation of a contractor's cost or pricing data, at the cost element level including profit, and of the judgmental factors applied in projecting the total estimated cost from the data to arrive at the total price assuming reasonable economy and efficiency.

Antonyms. None.

Synonyms. None.

Term # 11. Delegation.

Synthesized Definition. Delegation: The transfer of authority, from one government agency to another, to accomplish the contract administrative tasks as listed in FAR 42.302, unless withheld by the agency transferring the authority, and other contract administrative tasks as agreed between the two agencies.

Survey Results. The results of the questionnaire found thirty-three agreements, four disagreements, and two non-responses by the Fellows. Of the nine suggestions for improvement, seven indicated the definition was too



restrictive. All the elements contained within the respondent comments are summarized in the three expressions below.

- Replace "transfer" with "conferring," do not limit delegation to duties at FAR 42.302. Also, indicate that responsibility may be shared or recalled.
- Re-title term to "Contract Administration Delegation." Delegation may also be from one person to another; Agency Head to Competition Advocate.
- Change definition to indicate who has ultimate responsibility. "Are MIPRed funds delegated to another agency for procurement -- Would be beyond CAS functions."

Proposed Definition. Delegation: The conferring of authority, from one government agency or representative to another, to accomplish contract administrative tasks such as those listed in FAR 42.302. Such authority may be shared or recalled.

Antonyms. None.

Synonyms. None.

Term # 12. Direct Labor.

Synthesized Definition. Direct Labor: That labor which can be identified to specific materials, subassemblies, assemblies or production units and/or to final cost objectives or the costs associated with the same.

Survey Results. The definition for the term "direct labor" generated thirty-five agreements and no

disagreements. Four of the Fellows provided no response in reference to the definition. The respondent suggestions are presented below.

- Change the last phrase to read " . . . assemblies or production units and/or to final cost objectives in lieu of allocated or pro rated costs associated with the same".
- Indicate that direct labor applies to services. Also, replace the word "same." with the words "end product".
- Delete, " . . . materials, subassemblies, assemblies or production units and/or to . . . " from the definition.

Proposed Definition. Direct Labor: That labor which can be identified to specific services, production units, or final cost objectives, or the costs associated with the same.

Antonyms. None.

Synonyms. None.

Term # 13. Disclosure Statement.

Synthesized Definition. Disclosure Statement: A defense contractor's written description of its cost accounting practices as required under Public Law 91-379 and government cost accounting standards. This description, usually provided on a Form CASB-DS-1, is required for all negotiated procurements with a dollar value greater than \$100,000.00 unless it is determined the price meets the criteria of established catalog or market prices or is set by regulation.

Survey Results. Thirty-four respondents agreed with this definition, two did not. The definition generated comments as short as deleting the word "defense" from in front of "contractor's" to a complete revision of the definition. The suggestions are summarized or quoted below.

- Delete the word defense from definition. "Can apply to certain non-defense contracts."

- State or indicate exemptions at FAR 30.201-1.

- Use the following definition:

"a written description of a contractor's cost accounting practices and procedures. Defense contractor's are required to file a Disclosure Statement as a condition of contracting with the Federal Government if they have a single negotiated contract over \$10M or more than \$10M in negotiated contracts in the previous fiscal year. It is filed with the Administrative Contracting Officer who determines adequacy and compliance with applicable laws, standards, and regulations. The disclosure statement must reflect the contractor's accounting practices accurately, completely and currently, and must be amended whenever the practices are changed."

A proposed definition for this term is indeed difficult to develop. On the one hand, a definition which excludes the requirements for, or exemptions to, Disclosure Statement submission renders the definition so inadequate as to make it useless. On the other, inclusion of such requirements and exemptions makes it so lengthy as to render it encyclopedic in nature and outside the intent of this effort. Therefore, the proposed definition provides a general description of the term and references the reader to a number of applicable sources.

Proposed Definition. Disclosure Statement: A contractor's written description of its cost accounting practices and procedures as required under Public Law 91-379, FAR part 30, and government cost accounting standards.

Antonyms. None.

Synonyms. None.

Term # 14. Established Market Price.

Synthesized Definition. Established Market Price: The current, generally accepted, monetary value of a particular item, determined in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor, although such pricing data may have come from the seller.

Survey Results. While thirty-two of the respondents agreed with the definition as synthesized, two expressed disagreement and five did not make comment. Comments were made which indicated that no commonalty of meaning between government and private industry is present. Few suggestions for improvement were submitted. The suggested improvements are summarized below.

- Indicate that a published price list is available.
- Expand definition to preclude price fixing which is more common than generally thought.
- Use the FAR definition.

- Delete the words "current, generally accepted, monetary value," this is too restrictive.

The proposed definition remains unchanged from the originally synthesized definition.

Proposed Definition. Established Market Price:

The current, generally accepted, monetary value of a particular item, determined in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor, although such pricing data may have come from the seller.

Antonyms. None.

Synonyms. None.

Term # 15. Executed Contract.

Synthesized Definition. Executed Contract:

Either a written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party, or the complete performance, by each party, of all requirements, terms, and conditions contained in the signed document.

Survey Results. This definition generated the least amount of agreement and the highest amount of disagreement as recorded by the survey. While twenty-nine Fellows agreed with the definition, eight did not and two did not respond. Ten respondents made suggestions to

improve this definition. Seven of the ten indicated that performance of the contract was not within the scope of the term and should be edited from the definition. The remaining comments are summarized below.

- Delete ". . . and mailed or otherwise furnished to each party . . . " from the definition. "Can't it be executed and lying in your desk?"

- Substitute "of all requirements" with "satisfying all requirements".

- Substitute the definition with, "a document which engages performance of a legal act between two parties."

- Incorporate oral contracts, because they do exist.

Proposed Definition. Executed Contract: A written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

Antonyms. None.

Synonyms. None.

Term # 16. Make or Buy Program

Synthesized Definition. Make or Buy Program:

That part of a contractor's written plan for the development or production of an end item which outlines the subsystems, major components, assemblies, subassemblies, and parts he/she intends to manufacture, test-treat, or assemble and those he/she intends to buy from others. (15:33)

Survey Results. The results of the survey showed that thirty-seven respondents agreed with the definition while only one did not. The few suggestions which were generated by the definition are outlined as follows.

- Delete the words "systems" "major" and "subassemblies" and indicate the significance of cost and quality to the term.

- Edit "he/she" and "test-treat" verbiage out of definition.

- Expand definition to include services.

- Include the decision points and analysis used to make the decision.

- Definition is too complicated, program need not be written. Change the definition to, "the items proposed to be purchased and items proposed to be manufactured."

Because the agreement rate to the synthesized definition was so great, no substantive changes are made. However, in order to improve the grammar of the sentence, "he/she" is replaced with the word "it". The definition as published in the DOD IG publication 5000.2-1 (Definitions) is adapted and presented below.

Proposed Definition. Make or Buy Program: That part of a contractor's written plan for the development or production of an end item which outlines the subsystems, major components, assemblies, subassemblies, and parts

intended to be manufactured, test-treated, or assembled and those to be bought.

Antonyms. None.

Synonyms. None.

Term # 17. Material Management and Accounting System (MMAS).

Synthesized Definition. Material Management and Accounting System:

Material Management and Accounting Systems (MMAS), means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use and disposition of material. MMAS's may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems etc. or they may be essentially stand alone systems. (13:242.7202)

Survey Results. Thirty-six of the Fellows agreed with this definition and two did not indicate a preference. The one respondent who disagreed with the definition offered an excellent definition of the term. This respondents suggested definition is presented in full text below. There were no other comments or suggestions.

The definition provided is a definition of MRP (Material Requirements Planning). MMAS is better defined as follows: 'Includes all systems involved with the physical and cost management and accounting for materials. May include both manual or automated subsystems involved, including MRP, purchasing, finance, property control, configuration management, cost and schedule control, and any other systems supporting the material management and accounting process'.

Although the suggested definition appears both valid and enlightening, the synthesized definition, because of the



high degree of fellow agreement and because of its source (the DFARs), is accepted without change as the proposed definition.

Proposed Definition. Material Management and Accounting System:

Material Management and Accounting Systems (MMAS), means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use and disposition of material. MMAS's may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems etc. or they may be essentially stand alone systems. (13:242.7202)

Antonyms. None.

Synonyms. None.

Term # 18. Pre-Award Survey.

Synthesized Definition. Pre-Award Survey: An evaluation, generally accomplished by the contract administrative office, with help from DCAA, if requested, at the request of the procuring activity, of a prospective contractor's ability to perform under the terms of a specific contract. The subject evaluation addresses the physical, managerial, and financial capability of the contractor as well as the adequacy of the contractor's cost accounting system.

Survey Results. This definition also generated a high level of agreement. Thirty-six Fellows agreed, one disagreed, and two made no comment. Of the thirteen suggestions made, the majority attempted to further specify

the elements of a pre-award survey. The comments are grouped in related categories and summarized below.

- Replace "the" with "a" in front of the words "contract administrative", change "administrative" to "administration", and replace "help" with "assistance".

Also, delete "under the terms of" in the first sentence and the word "subject" in the second sentence.

- Change " . . . contractor's ability to perform . . . " to " . . . contractor's ability and suitability to perform . . . "

- Change first line to read, "an evaluation of a prospective contractor's ability to perform under the terms of a specific contract.

- Replace " . . . cost accounting systems." with " . . . systems and procedures" to expand definition beyond financial implications.

- Address contractor's technical capability.

- Pre-award survey is an evaluation of a prospective contractor's responsibility. "Covers financial resources, ability to fulfill commitments, integrity & business ethics, as well as general organization and capability."

- Expand physical capability; specifically address manpower, facilities, capital, technology, and unique operating systems capabilities.

- Add the following to the end of the definition.  
"Depending on the specifics of the request, other areas such

as quality, safety, and production schedule compliance can be evaluated for the report."

- Incorporate contractor integrity, business ethics, and quality control procedures into definition.

Proposed Definition. Pre-Award Survey: An evaluation of a prospective contractor's ability to perform a specific contract, performed by the contract administration office or the purchasing office, with assistance from DCAA at the request of either office. The evaluation addresses the physical, technical, managerial, and financial capability of the prospective contractor. Also addressed are the adequacy of the contractor's systems and procedures and the contractors past performance record.

Antonyms. None.

Synonyms. None.

Term # 19. Quotation.

Synthesized Definition. Quotation: Generally a sales proposal, either written or verbal, issued by a seller at the request of a buyer, stating the price of an item, the terms of sale, and a description of the product or service.

Survey Results. The results of the questionnaire showed that thirty-two of the respondents agreed with the synthesized definition. However, four of the Fellows did not agree with this definition and three failed to indicate a preference. The suggested improvements are summarized and listed below.

- Include the delivery dates or period of performance and terms of payment in definition.

- Indicate that a quotation does not " . . . constitute an OFFER that can be accepted". Reference FAR 15.4 and 15.402 (d) and (e).

- Delete reference to proposal as it is misleading. "'Proposal' implies more than 'quotation', which generally is based on price - 'Proposal' has much more in it."

- Indicate that quotations should not be accepted if verbal.

- Eliminate "at the request of the buyer"; proposals may be unsolicited.

- Simplify definition to "Response to a request for a quotation".

- Add, "a quotation normally cannot be made into an Award Contract, as with a Bid, without the consent of the seller."

- Indicate that a quotation is used for small purchases, those less than \$25,000.

The derivation of a final definition for this term was difficult. It is, however, recognized that a proposal and a quotation are not entirely synonymous. While a quotation is based on price and basic terms of a sale, a proposal is much more extensive. Nor is a quotation entirely synonymous with an offer, which in the realm of government procurement is used in a manner similar to a market survey and may not form

the basis of a binding contract. Additionally recognized , is the fact that not all quotations are solicited.

Proposed Definition. Quotation: A statement of price, either written or verbal, which may include among other things a description of the product or service and the terms of sale; delivery or period of performance and payment. Such statements are usually issued by sellers at the request of potential buyers.

Caveat for Federal procurement. Quotations do not constitute an offer which can be accepted to form the basis of a binding contract. Rather, quotations are solicited to obtain market information for planning purposes.

Antonyms. None.

Synonyms. None.

Term # 20. Risk Assessment.

Synthesized Definition. Risk Assessment:

The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective, will or will not be attained along the planned course of action. (14:73)

Survey Results. This definition generated thirty-four agreements and six suggested changes. Additionally, there was one noted disagreement and four non-responses.

The suggestions included:

- Change sentence structure to remove "will or will not".
- "Let's not give absolute values to subjective determination."

- The first sentence should read, "the process of objectively and subjectively determining . . . "
- "Add: A process of contractor performance evaluation, especially with respect to accounting systems, which would lead to greater self governance and lower surveillance."
- Risk assessment is an element of risk management. Risk assessment starts after risk(s) have been identified and attempts to evaluate and minimize the significance of the risk(s) by identifying alternative opportunities.
- Synthesize a definition from the contractor's perspective. Suggested definition is as follows,

the process of objectively evaluating an RFP to determine the probability that untoward events will occur that will affect performance, schedule or cost of a planned course of action. Process would include plans to avoid or mitigate identified risks.

Although it is recognized that one's perception of risk may vary depending upon one's employer, government or contractor, the proposed definition from the contractor's perspective is perceived by this researcher as too narrow. Because the definition as proposed is broad enough to include both government and contractor perspectives, and because the agreement level for this term is high, the synthesized definition is accepted as proposed.

Proposed Definition. Risk Assessment:

The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective, will or will not be attained along the planned course of action. (14:73)

Antonyms. None.

Synonyms. None.

Term # 21. Sealed Bid

Synthesized Definition. Sealed Bid: A contractor's written offer, submitted prior to a specific deadline, to provide products or services, as specified in the purchasing authority's request for such offers. The offers are submitted in closed envelopes to ensure the confidentiality of the terms of the offer until the time of opening and public announcement of all offers.

Survey Results. A total of thirty-five of the respondents agreed with the synthesized definition. Two of respondents did not. The suggestions for definition improvement are presented below.

- Replace the word "closed" with "sealed".
- Move the word "public" to precede the word "opening".
- "Isn't it limited to price?" Replace "the terms of the offer" to "price".
- Indicate, "such offer is submitted in response to the purchasing authority's Invitation For Bid (IFB)".
- Add the following to the end of definition, "and subsequent award to the lowest responsible bidder."
- Add, "the bids may not be withdrawn after opening except under very limited circumstances".

- Add, "bids are not subject to subsequent negotiations as to terms and conditions. They are either low and acceptable or they are disregarded".

- Add, "the sealed bid procedure in Federal contracting pertains to large purchases: those over \$25,000 in value".

- Change definition to, "a sealed bid is the formal response to an Invitation for Bids". The above definition would include unsolicited proposals.

A number of the responses confirm the close association of sealed bids to the process of sealed bidding. Perhaps this bias was provoked by the wording of the synthesized definition. However, because the synthesized definition elicited a high level of agreement and because none of the Fellows indicated that the elements of sealed bidding were extraneous to the definition, the concept of sealed bidding, although expanded, remains a part of the proposed definition.

Proposed Definition. Sealed Bid: A contractor's written offer, submitted in a sealed instrument and prior to a specific deadline, to provide, at a specific price, the products or services specified in the purchasing authority's request for such offers. The confidential offers are publicly opened and announced and an award is made to the lowest responsible bidder.

Antonyms. Proposal.

Synonyms. Previously known as formal advertising.



Term # 22. Second Source.

Synthesized Definition. Second Source: "An acquisition strategy that establishes two producers for the same part or system, usually for purposes of competition" (16:33).

Survey Results. The definition of this term also showed a substantial degree of agreement among the Fellows. Thirty-four agreed, two disagreed and three did not indicate agreement or disagreement. Of the twelve suggestions for improvement of the definition, the majority requested that "defense preparedness" or "increasing the industrial base" be included as a reason for implementing this strategy. The remaining suggestions are summarized below.

- "A 'source' is not a 'strategy'."
- Broaden definition to indicate "two or more" producers.
- Address leader and follower contractors where one is the subcontractor to the other during the initial phase(s) until both are qualified as producers.
- Indicate that definition also applies to services.

The synthesized definition is changed to incorporate a number of the fellow suggestions; the application of the concept is made to services, the restriction regarding the number of suppliers is stricken from the definition, and the purpose of strengthening the industrial base reflected.

Proposed Definition. Second Source. An acquisition strategy that establishes two or more producers

for the same part, system, or service for the purpose of increasing competition or to broaden the industrial base.

Antonyms. None.

Synonyms. None.

Term # 23. Source Selection.

Synthesized Definition. Source Selection:

The process wherein the requirements, facts, recommendations and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made.  
(15:51)

Survey Results. The survey results showed that thirty of the respondents agreed and that six disagreed with this definition. The definition generated six suggestions to include a review of contractor proposals against predetermined and publicly stated criteria. Such comments are considered to be one suggestion are and presented below with the remaining suggestions.

- SOURCE SELECTION decisions are based on evaluation, scoring and ranking of competing technical and cost proposals, in accordance with a pre-published plan that includes priority of item and weighting the factors involved.

- Expand definition to identify who makes the final award.

- A better definition is, "a relatively structured approach to the process of conducting competitive negotiation involving evaluation of cost or price and other

factors in order to select a quality supplier and negotiate a wise contract during a government procurement".

- Create two definitions; one identifying "source selection" as, "the selection process used in competitive negotiated procurements" and one for "formal source selections".

- Delete the word government to make the definition more universal.

The proposed definition is changed to incorporate a number of these comments. The words "facts" and "recommendations" are edited from the definition and recognition is given to the importance of cost and technical proposals and the predetermined evaluation criteria. Additionally, the scope of the definition is broadened by the deletion of the word "government" from the definition.

Proposed Definition. Source Selection: The process wherein the requirements, policy, cost, and technical proposals, relevant to an award decision in a competitive procurement of a system/project are examined and the decision made.

Antonyms. None.

Synonyms. None.

Term # 24. Synopsis.

Synthesized Definition. Synopsis:

An abbreviated description of a procurement which is published in the Commerce Business Daily in advance of the procurement, along with the contracting

officer's name, for the purpose of informing the commercial world of the opportunity to bid or submit an offer. (16:35)

Survey Results. The results of the questionnaire indicate that thirty-five respondents agreed with the definition. Further, while none of the respondents disagreed, four withheld comment. This definition generated few suggestions for improvement. Those comments which were generated are presented below.

- Change the definition to read, "an abbreviated description or advertisement . . . "
- Draw a greater distinction between the term " synopsis" and the terms "Broad Agency Announcement" (BAA) and "Program Research and Development Announcement" (PRDA).
- Replace the last word "offer" with "proposal".
- "Add: Any other means of publicly advertising contracting opportunities."

In arriving at the proposed definition, no changes were made. While incorporation of the concept of "advertising" appears redundant, changing the term "offer" to "proposal" appears unnecessary. Additionally, distinction of the terms BAA and PRDA would be inappropriately addressed in the definition of synopsis. Rather, these terms should be addressed under their own headings.

Proposed Definition. Synopsis:

An abbreviated description of a procurement which is published in the Commerce Business Daily in advance of the procurement, along with the contracting officer's name, for the purpose of informing the

commercial world of the opportunity to bid or submit an offer. (16:35)

Antonyms. None.

Synonyms. None.

Term # 25. Weighted Average Cost Method.

Synthesized Definition. Weighted Average Cost Method: A method of determining the average unit cost of inventory, and by implication, an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Survey Results. This definition generated thirty-one agreements, three disagreements, and five non-responses from the Fellows. Additionally, a total of three suggestions were made to improve this definition. These suggestions are summarized below.

- Indicate that Last In First Out (LIFO) or First In First Out (FIFO) may be acceptable alternatives if they are in accordance with contractor's approved accounting practices.

- Increase scope of definition to include services. The definition as stated is limited to inventory.

- The definition should address inventory only. Change the definition to, "a method of determining the average unit

cost of inventory produced over a period of time. Under this technique each price paid is multiplied by the number of units purchased at that price. The total amount is then divided by the total number of units to produce a weighted average price".

The proposed definition is unchanged from the synthesized definition. Identification of LIFO and FIFO costing methods appears inappropriate in a definition of a "weighted average cost method". Additionally, each of the two suggestions, one expanding and one decreasing the scope of the definition, are not incorporated.

Proposed Definition. Weighted Average Cost Method: A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Antonyms. None.

Synonyms. None.

### Summary

This chapter presented the suggestions made by the NCMA Fellows in response the "Definition of Terms Survey" to

improve upon the synthesized definitions contained within that survey. Additionally presented were a proposed definition for each term based upon the respondent comments and the previously reviewed literature. When the researcher felt it was necessary, for the clarity of the proposed definition, the changes contained within the proposed definition were specifically cited.

## V. Conclusions and Recommendations

### Introduction

This chapter presents this researcher's conclusions about the research effort and recommendations to improve future research efforts in this area. Additionally, the research question posed in Chapter I is addressed; the researchers' general comments regarding this effort are stated, and a chapter summary presented.

Because this effort was preceded by five other similar efforts, the conclusions, recommendations, answers to the research questions, and the researcher's general comments are likely to be similar to those of previous efforts. This researcher has attempted to restrict the influence of previous researcher's comments upon those of his own.

### Conclusions

Because LCDR Ryan was the first researcher to address this research topic, it seems appropriate to address his conclusions while presenting my own. Indeed, the majority of this researcher's conclusions either support or contradict those of LCDR Ryan.

Conclusion # 1. "The product of this thesis will add to the body of knowledge which makes up the contracting discipline" (34:79).

The terms defined in this research effort do not add to the body of knowledge. Rather, some of the knowledge, which



is already present in this emerging profession, is more accurately articulated and codified within the framework of the body of knowledge. I am, however, in agreement with LCDR Ryan in that efforts to define contracting /procurement language are only a beginning. Research efforts which address additional terms need to be completed.

Conclusion # 2. "The observations of questionnaire respondents reflected a concern for the continued development of the contracting discipline" (34:79).

This researcher agrees with LCDR Ryan's observation regarding the concern of the respondents for the development of this discipline/profession. Although a thirty percent survey response rate is not considered high, this researcher recognizes the professional level of responsibility which the respondents have attained and is quite satisfied with this level of respondent participation. Additionally, a review of the completed surveys indicates that a majority of the respondents were very articulate. That is to say, they presented well thought out suggestions when they felt it was appropriate.

Conclusion # 3. There is not universal agreement concerning the meaning of most contracting terms" (34:80).

This researcher agrees with this conclusion as expressed by LCDR Ryan. However, a concern is expressed regarding the meaning of the term "universal agreement". Based on the respondent comments, I submit that each of the

respondents understood the basic concept of the terms, but differed as to which aspects of a specific term should be included in a formal definition.

For the majority of terms, the problem does not appear to be one in which a term conjures up differing concepts among procurement professionals. Rather, the majority of suggestions to improve upon a definition represent one aspect of the term which specifically applies to their understanding of their own procurement environment. Cited as a specific example is the term "quotation" in which FAR Part 15.4 was included as part of the proposed definition. This FAR part is not directly applicable to all contractors or contracting personnel, but it is important to those to whom it does apply.

Conclusion # 4. "The procedure used in this thesis to achieve consensus on term definition as used in contracting is valid" (34:80).

This conclusion is valid. That is, a consensus was achieved for the definition as originally synthesized. Although this procedure fails to revalidate the definitions once the respondent comments have been incorporated, it is deemed unlikely that inclusion of selected suggestions would yield a disagreement. Although the method is valid, it depends heavily upon the judgement of the researcher and, therefore, may be biased to the researcher's subjective

point of view. Suggestions to improve upon this methodology are included in the recommendations section of this chapter.

Conclusion # 5. "The inclusion of synonyms and antonyms was basically ignored by the respondents" (21:53).

This conclusion, stated in LT Down's research effort, appears to be supported in this thesis effort. Few antonyms or synonyms were suggested for the twenty-five terms. However, the lack of proposed antonyms and synonyms does not in itself indicate the a lack of diligence on the part of the survey respondents. For a majority of the terms, this researcher was also unable to propose antonyms or synonyms. Perhaps there are no words which approximate the meanings or which are direct opposites

Conclusion # 6. The methodology used in this thesis has the potential to allow a considerable amount of researcher bias to enter the research effort.

The opportunity for researcher bias is evident throughout the methodology. This last conclusion, my own conception, was first perceived during the literature review of the individual terms, when I realized the synthesis of an initial definition may depend upon the literary sources used.

It was evident that the literary sources initially chosen related almost solely to government procurement. Thereafter, a conscientious effort was undertaken to use more literary sources related with private industry. Later,

by examining the bibliographies of previous efforts, it became apparent that these efforts may have been biased toward a government procurement perspective.

The occurrence of such a bias appears probable when one considers the environment in which the research is carried out. The researchers involved in these efforts are usually, if not always, familiar with government procurement. Such a familiarity can bias the effort in two ways. The researcher may already be aware of a large number of sources, usually concerning the government procurement process and biased to the government's point of view. Additionally, the researcher's own preconceived concept of the terms may enter into the synthesis of the initial definitions.

Researcher bias may also enter the research effort during the analysis and inclusion (or exclusion) of respondent comments. There were relatively few instances when three or more of the respondents made similar suggestions. This left the incorporation of the majority of comments up to the researcher. In the end, a significant amount of researcher judgement was needed to formulate the proposed definitions.

### Recommendations

Recommendation # 1. Change the methodology to include respondent participation in the synthesis of the initial definitions.

LCDR Ryan utilized this step, a survey of a limited number of Fellows to evaluate the initial synthesized definitions, as part of his initial methodology. However, subsequent researchers omitted this step from the methodology used in their research efforts. This step appears an important part the methodology which could improve both the synthesized and proposed definitions, and may increase the credibility of the effort and participation of the Fellows .

Although one may argue that time constraints do not permit the accomplishment of this initial survey, I would argue to the contrary. It is recognized that LCDR Ryan may have spent considerable time and effort to develop the methodology and to generate an initial list of the terms for treatment for his research effort. However, he was able to accomplish this initial survey.

Additionally, due largely to LCDR Ryan's efforts, subsequent researchers have not been substantially burdened with these same activities. Further, the efforts of USAF Capt Bill Hauf, the identification and categorization of suggested terms for treatment, accomplished concurrently with this research project, should allow future students adequate time to complete a two survey methodology. The specifics of the initial survey are addressed under recommendation # 2.

Recommendation # 2. Design the first survey to allow the respondents to choose the elements they would include in a definition of a term.

This varies somewhat from LCDR Ryan's concept of the initial survey. LCDR Ryan proposed that the researcher would synthesize a definition based upon a review of literature and ask the respondents to make suggestions regarding the improvement of that definition.

I propose that the researcher would conduct the literature review in accordance with the current methodology. However, instead of developing the initial definitions, the researcher would identify the elements of the term as found in the literature and ask a small sample of twenty respondents to evaluate the importance of each of the elements through the use of a Licart scale. Incorporation of an individual element would be based upon each element's Licart score meeting or exceeding some predetermined quantitative standard.

This two survey procedure would have two advantages over the procedure used by previous researchers and in this thesis. First, the researcher would be able to choose in advance the standard for inclusion and, therefore, the required minimum level of agreement, for each element of the term. Second, some researcher bias may be eliminated. The researcher would denote all the elements of the term found

during the literature review and let the respondents identify those elements which were valid.

Once a definition for each of the terms was synthesized a second survey would be sent to a larger sample of between one hundred and one hundred and fifty people. The second survey would ask the respondents to rate the synthesized definitions on a Licart scale and to note any suggested changes.

The researcher would then evaluate the Licart scale results for each of the synthesized definitions. The researcher would develop a proposed definition for only those definitions whose Licart scores indicated a ninety percent agreement level (or a different level set by future researchers). For these final definitions, only small changes relating to punctuation, grammar, and possibly word choice would be allowed.

The synthesized definitions whose Licart score did not meet the required level would be excluded from further treatment by that researcher. The term, the results of the two surveys, and the synthesized definition, would be passed on to later researchers for identical treatment. Using this procedure, a consensus of the respondents, in relation to the proposed definition, would be assured.

Recommendation # 3. Verify that the definitions proposed in this and previous similar efforts do indeed constitute a consensus among procurement professionals.

It was stated in conclusion # 4 that the researcher believes a consensus was reached for the initially synthesized definitions for these terms. Further, this researcher does not believe that a smaller consensus would result from the selective inclusion of respondent suggestions. However using the procedure developed by LCDR Ryan such a consensus has not been shown for the proposed definitions. This situation could be remedied by the adoption of the procedures outlined in recommendations one and two.

Recommendation # 4. "Establish a standardized questionnaire format that would be utilized by all participants in this research" (21:54).

This recommendation was first postulated by USN LT. Daniel Downs and is restated here because it is a valid recommendation. A standard format would reduce some of the effort required in the performance of a survey and allow the researcher to use this time in a more advantageous manner. Specifically this time could be better spent reviewing the appropriate literature, identifying the elements of the term and developing a synthesized definition, or reviewing the respondent comments and developing the proposed definitions.

Additionally, as was the case in LT. Down's research effort, there were a number of respondent suggestions which were not supported by a logical argument. Although such suggestions may have been valid and worthy of inclusion in



the proposed definition, some may not have received their due consideration. LT. Downs suggested, and I concur with, the incorporation of the following paragraph into the survey.

Please review each definition provided for the contracting terms. When reviewing, please feel free to make changes as you deem necessary. This may be done by lining out words or in any other way which will be legible to the researcher. Also, please include in the remarks section a short explanation for the change; this will aid the researcher in understanding your reasoning when reviewing the proposed definition.  
(21:55)

#### Research Question Answered

The research question was: To what extent can standard meanings be arrived at in the evolving field of contracting in which words are used with various meanings?

This same question was addressed in previous research efforts. I concur with LT Downs in his agreement with the following statement attributable to LCDR Ryan regarding this question.

A 100 percent agreement on an exact definition for any given contracting term is not likely to occur, but a definition which represents a consensus can occur with success as demonstrated by the results of this (his) thesis. Definition consensus is realistically achievable in a fixed amount of time utilizing published definitions and glossary "explanation" as the basis for synthesized definitions which can then be subjected to the criticism of a representative body of practitioners. (34:83)

Although I agree with this statement, it is recognized that a consensus can be achieved even if the definition is not the best definition possible. Additionally, I perceive

that LCDR Ryan's statement recognizes that each person is biased by one's own procurement experience and environment. Although people may not share the exact experiences or environment, their basic experiences may be similar. It is on this basis that a consensus of the professionals relating to each definition was, and in the future can be, achieved.

However a consensus of the professionals regarding some of the more obscure elements of a term, applicable to only a few procurement environments, may not be as easily achieved. Under the methodology utilized in this and previous efforts, it was sometimes the subjective decision of the researcher, based upon his/her knowledge and support of the reviewed literature, that determined which of the respondent suggestions would be included in the proposed definition.

Fortunately, much of this subjectivity was eliminated when other respondents made similar suggestions to improve a specific definition. However, there were instances when only one respondent made a specific, seemingly valid, or invalid, suggestion. In these instances, inclusion of that specific element often rested upon the respondent's argument to include the element, the treatment of the element within the literature reviewed, and some amount of researcher discretion.

### General Comments

This section is offered to those researchers which undertake an effort similar in nature. These comments are general suggestions which were not included under recommendations because this researcher felt they did not carry the same weight as the recommendations.

General Comment # 1. Future researchers should spend a considerable amount of effort in the synthesis of the initial definition. Because future researchers will have the benefit of Capt Bill Hauf's effort they will be able to start on their project much earlier than this researcher did. This is not to say that considerable effort was not expended by this researcher. However, given this advantage, the future researcher will be able to accomplish a more thorough literature review and expend additional effort upon the initial synthesize of the definitions. This may take the form of the methodology outlined in recommendations one and two of this chapter or the methodology utilized in this effort. In either case, the better the initial definition, the better the proposed definition will be.

General Comment # 2. Understand that there is a fundamental difference between a dictionary and an encyclopedia. It is the responsibility of the researcher to identify the basic and the important concepts of each term. The basic concepts are readily identified because they are the concepts common to the great majority of the procurement

professionals. The important concepts are those concepts which are less universal, but are very important to those to whom the concept is applicable. An enumeration of concepts, situations, circumstances, and exceptions should be reserved for an encyclopedia not a dictionary.

General Comment # 3. Expand the survey population to include the NCMA Certified Professional Contract Managers (CPCM's). Although the survey response rate for this effort was deemed adequate, several of the previous researchers indicated low response rates (rates between fourteen and nineteen percent). It is possible that the continuance of this effort, by a greater number of researchers, will tax the Fellow's beyond reason. The result will be scant participation and poorly supported suggestions to improve upon the definitions.

General Comment # 4. Ask the respondents to write legibly. A good deal of frustration was experienced as the researcher spent time deciphering a considerable number of the suggestions.

General Comment # 5. Be aware of the difference between public and private procurement sector usage of terms. This researcher was surprised that such vehement suggestions to do away with some of the terms and their related practices. The term Best and Final Offer generated several such comments. I believe that a number of these

suggestions were made by members of private industry who perceived such practices as unfair to industry.

### Summary

This chapter stated the conclusions, recommendations and general comments drawn by the researcher resulting from the accomplishment of this thesis effort. Additionally addressed was the research question as stated in chapter one.

In conclusion, this researcher was pleased with the level of respondent participation, the depth of understanding shown in the suggestions made, and the level of professionalism displayed by the NCMA Fellows as a group.

It occurs to this researcher that although the basis of a common language, defined in a dictionary, is a correct step in the direction of the professionalism of the contracting/procurement discipline, much more work is needed. Similar efforts, defining additional terms, and a revalidation of the unvalidated proposed definitions is yet to be accomplished. The dictionary itself, if it is to be of any use to the present and future members of this emerging profession, must be perceived as a credible source of information. This can only be accomplished if the quality of effort by the researcher and the survey respondents remains high.

## Appendix A. Presentation of Proposed Definitions

### GENERAL INFORMATION

Presented in this appendix are the final, proposed definitions for each of the twenty-five terms of treatment. Also presented are the antonyms and synonyms for these terms as suggested by the Fellows and concurred with by this researcher. The terms are presented in alphabetical order.

Absorption Costing: A method of determining the actual cost of a unit of production, at various stages of completion, or service provided, which treats fixed indirect costs as product costs. Under absorption costing, a unit's total cost is equal to the sum of the allocated fixed indirect costs, and the costs of direct material, direct labor, and applicable overhead.

Antonyms. Direct Costing.

Synonyms. Full cost accounting.

Adequate Price Competition: A condition which exists when two responsible original equipment manufacturers compete independently and submit responsive proposals, and there is no evidence that competition was restricted or that the lowest price is likely to jeopardize performance by the offeror.

Antonyms. Sole Source.

Synonyms. None

Agent: A person who is authorized to represent, act for, and legally bind another person or other legal entity referred to as a principal.

Antonyms. Unauthorized representative.

Synonyms. Representative, contracting officer, attorney (if used in proper context).

Amendment: In general a change to a document, such as a solicitation or contract, a judgement, or a pleading. Within federal procurement, a formal change to a

solicitation, accomplished on a Standard Form 30, which corrects any element(s) of the solicitation. The changes are provided to potential bidders if the lack of such information would be prejudicial to uninformed bidders or if such information is necessary to accomplish bid submission.

Antonyms. None.

Synonyms. In a general sense, modification.

Anti-Deficiency Act: A part of Public Law 97-258 coded at title 31 United States Code which prohibits the authorization or incurrence of obligations or expenditures greater than the funds appropriated by Congress, apportioned by the Office of Manpower and Budget (OMB), or greater than allowed by agency regulation. The Act calls for procedures regarding the determination of responsibility for, and the reporting of such violations to the President, to Congress, and to OMB. It also outlines criminal sanctions for violators.

Antonyms. None.

Synonyms. None.

Best And Final Offer (BAFO): A contractors latest proposal submission which should reflect his most favorable offer and which is submitted prior to a common cutoff period. Requests for such offers are made after the conclusion of negotiations or discussions with all offerors in the competitive range.

Antonyms. None.

Synonyms. None.

Bid Bond: In government contract administration, an insurance document in which a third party agrees to pay a specific amount of money, if the bonded (insured) bidder fails to sign a contract as bid and accepted by the government.

Antonyms. None.

Synonyms. Bid Guarantee.

Component Breakout: An acquisition strategy to convert some items, usually parts or self contained elements of a complete operating equipment end item, from contractor furnished to government purchased items.

Antonyms. None.

Synonyms. None

Consideration: Anything of value, generally time and/or money, given as an inducement to enter or amend a contract, or as payment for a product or service. Consideration is also an essential element of a valid contract

Antonyms. None.

Synonyms. None.

Cost Analysis: An examination, verification, and evaluation of a contractor's cost or pricing data, at the cost element level including profit, and of the judgmental factors applied in projecting the total estimated cost from the data to arrive at the total price assuming reasonable economy and efficiency.

Antonyms. None.

Synonyms. None.

Delegation: The conferring of authority, from one government agency or representative to another, to accomplish contract administrative tasks such as those listed in FAR 42.302. Such authority may be shared or recalled.

Antonyms. None.

Synonyms. None.

Direct Labor: That labor which can be identified to specific services, production units, or final cost objectives, or the costs associated with the same.

Antonyms. None.

Synonyms. None.

Disclosure Statement: A contractor's written description of its cost accounting practices and procedures as required under Public Law 91-379, FAR part 30, and government cost accounting standards.

Antonyms. None.

Synonyms. None.

Established Market Price: The current, generally accepted, monetary value of a particular item, determined in the usual



and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor, although such pricing data may have come from the seller.

Antonyms. None.

Synonyms. None.

Executed Contract: A written document which has been signed by both parties and mailed or otherwise furnished to each party, which expresses the requirements, terms, and conditions to be met by each party.

Antonyms. None.

Synonyms. None.

Make or Buy Program: That part of a contractor's written plan for the development or production of an end item which outlines the subsystems, major components, assemblies, subassemblies, and parts intended to be manufactured, test-treated, or assembled and those to be bought.

Antonyms. None.

Synonyms. None.

Material Management and Accounting System: Material Management and Accounting Systems (MMAS), means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use and disposition of material. MMAS's may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems etc. or they may be essentially stand alone systems. (13:242.7202)

Antonyms. None.

Synonyms. None.

Pre-Award Survey: An evaluation of a prospective contractor's ability to perform a specific contract, performed by the contract administration office or the purchasing office, with assistance from DCAA at the request of either office. The evaluation addresses the physical, technical, managerial, and financial capability of the prospective contractor. Also addressed are the adequacy of the contractor's systems and procedures and the contractors past performance record.

Antonyms. None.

Synonyms. None.

Quotation: A statement of price, either written or verbal, which may include among other things a description of the product or service and the terms of sale; delivery or period of performance and payment. Such statements are usually issued by sellers at the request of potential buyers.

Caveat for Federal Procurement. Quotations do not constitute an offer which can be accepted to form the basis of a binding contract. Rather, quotations are solicited to obtain market information for planning purposes.

Antonyms. None.

Synonyms. None.

Risk Assessment: The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective, will or will not be attained along the planned course of action. (14:73)

Antonyms. None.

Synonyms. None.

Sealed Bid: A contractor's written offer, submitted in a sealed instrument and prior to a specific deadline, to provide, at a specific price, the products or services specified in the purchasing authority's request for such offers. The confidential offers are publicly opened and announced and an award is made to the lowest responsible bidder.

Antonyms. Proposal.

Synonyms. Previously known as Formal Advertising.

Second Source. An acquisition strategy that establishes two or more producers for the same part, system, or service for the purpose of increasing competition or to broaden the industrial base.

Antonyms. None.

Synonyms. None.

Source Selection: The process wherein the requirements, policy, cost, and technical proposals, relevant to an award decision in a competitive procurement of a system/project are examined and the decision made.

Antonyms. None.

Synonyms. None.

Synopsis: An abbreviated description of a procurement which is published in the Commerce Business Daily in advance of the procurement, along with the contracting officer's name, for the purpose of informing the commercial world of the opportunity to bid or submit an offer. (16:35)

Antonyms. None.

Synonyms. None.

Weighted Average Cost Method: A method of determining the average unit cost of inventory and by implication an aid in determining the cost of goods made, sold, or held for future sale or incorporation into higher level end items. Under this technique, costs are periodically computed by adding the sum of the costs of beginning inventory with the sum of the costs of subsequent purchases and dividing by the total number of units.

Antonyms. None.

Synonyms. None.

## Appendix B: Definition of Procurement Terms Survey

### GENERAL INFORMATION

The remainder of this page is intentionally left blank to preserve the integrity of the cover letters, the respondent instructions, and the format of the questionnaire as presented to the NCMA Fellows.



DEPARTMENT OF THE AIR FORCE  
AIR UNIVERSITY  
AIR FORCE INSTITUTE OF TECHNOLOGY  
WRIGHT-PATTERSON AIR FORCE BASE OH 45433-6583

AFIT/LSP (Dr Pursch)

15 June 1990

Participation in Graduate Thesis Research

(Respondent name.)  
(Respondent address.)

1. Based upon your knowledge of and proficiency in the procurement discipline, you have been selected to participate in graduate student thesis research. This research supports the development of definitions common to government procurement terminology.
2. The thesis is part of a larger effort, accomplished by both AFIT and Naval PostGraduate School (NPS) students, to develop, through the consensus of professionals, a dictionary of government procurement terms. This dictionary will be published by the National Contract Management Association.
3. Your participation in this project will help professionalize the contracting discipline through the codification of its language. This is your opportunity to make a lasting contribution to our career field.
4. To ensure proper consideration of your comments, please return the attached survey postmarked by 6 July 1990.
5. Thank you in advance for your timely participation in this important research effort.

*William C. Pursch*  
William C. Pursch, PhD  
Professor of Contracting Management

## DEFINITION OF PROCUREMENT TERMS

### SURVEY

The purpose of this survey is to develop, through the consensus of professionals, a definition for each of the twenty-five terms selected for treatment. This survey presents a synthesized definition for each of the subject terms and requests your input for the improvement of each definition.

The definitions were synthesized based on a literature review of government procurement, and various business and legal sources. The synthesized definitions are proposed as a starting point in the development of a consensus definition for each term. The final definitions will depend primarily upon the responses received from the survey respondents.

The survey is divided into two sections. The first section "General Background" requests personal information of each respondent. The purpose of this information is to validate the results of the survey through the creation a profile of the respondent group. None of the information gathered in the survey will be used for purposes outside the stated scope of this effort.

The second section "Survey of Definitions" is the actual survey. Here, each term is underlined, printed in capitals, and followed by the synthesized definition. Please critically evaluate each definition, indicate your general agreement or disagreement, and suggest any changes to the definitions in the spaces provided. (If your suggestions are too extensive to fit in the space provided, please use the back side of the survey.) Additionally, you are asked to list any known antonyms or synonyms to the term.

When you have completed the survey, please return the survey in the envelope provided. Please do not use the mail services of a contractor's facility as this usually adds two to three days to the mail time.

Thanks in advance for your time, your thoughts, and your input into this important effort.

GENERAL BACKGROUND

1. Highest academic training received (list degree).  
☐ Bachelor's degree \_\_\_\_\_  
☐ Master's degree \_\_\_\_\_  
☐ Ph.D. \_\_\_\_\_  
☐ Other \_\_\_\_\_
  
2. Years of contract management/procurement experience.  
☐ 0-5    ☐ 6-10    ☐ 11-15    ☐ 16-20    ☐ 21 and  
up
  
3. Current contract management/procurement field  
☐ Government contracting  
☐ Commercial contracting  
☐ Academia  
☐ Other (please specify) \_\_\_\_\_
  
4. Specific area of expertise  
☐ Law  
☐ Finance/Economics/Accounting  
☐ Engineering  
☐ Contract Management  
☐ Production Management  
☐ Logistics Management  
☐ Program/Project Management  
☐ Commercial Purchasing  
☐ Other (please specify) \_\_\_\_\_

## SURVEY OF DEFINITIONS

1. ABSORPTION COSTING: A method of determining the cost of a unit of production, at various stages of completion, or service provided, which treats fixed indirect costs as product costs. Under absorption costing, a unit's total cost is equal to the sum of the allocated fixed indirect costs, and the costs of direct material, direct labor, and variable overhead.

[ ] Generally Agree

[ ] Generally Disagree

Suggested Changes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Antonyms: \_\_\_\_\_

Synonyms: \_\_\_\_\_

2. ADEQUATE PRICE COMPETITION: A condition that serves as an exemption from the requirement for submission of cost or pricing data. This condition exists when two or more responsible offerors compete independently and submit proposals deemed responsive to a solicitation, and there is no evidence that competition was restricted or that the lowest price is unreasonable.

[ ] Generally Agree

[ ] Generally Disagree

Suggested Changes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Antonyms: \_\_\_\_\_

Synonyms: \_\_\_\_\_



## Appendix C: Presentation of Literary Definitions

### GENERAL INFORMATION

This appendix contains the definitions, as published in the literary sources referenced within the text, of the terms of treatment and terms which are closely related to them. Because all but one of the sources, a Webster's Collegiate Dictionary, were included within the body of the text, it is safe to say that the synthesized definitions are based primarily upon the following definitions.

The format of this Appendix follows closely the format of the text. That is, the treated terms are presented as sub-headings of the section entitled "Presentation of Literary Definitions". Similarly, the terms which closely relate to a specific term of treatment are presented as sub-headings under the term of treatment.

### Presentation of Literary Definitions

#### Absorption Costing

1. "The assignment of both fixed and variable costs to goods or services provided" (23:1).
2. "A method of inventory costing whereby all fixed and variable production costs are classified and treated as product costs. Also referred to as 'full costing'" (4:94).
3. "In Financial Management, a method of inventory costing whereby all fixed and variable production costs are classified and treated as product costs" (3:3).
4. A method of cost accounting in which fixed manufacturing expenses are included in inventory valuation in addition to direct materials, direct labor, and variable overhead expenses. (27:1)

5. "Allocating all or a portion (direct and standard costing) of fixed and variable production costs to work-in-process, cost of sales, and inventory" (5:12).

6. The process of distributing indirect or overhead costs over any defined cost base such as labor hours, labor dollars, material dollars or total cost dollars, so that, at the end of an accounting period, the indirect costs will be totally 'absorbed'. (17:11)

7. Also called full costing. The practice of allocating all manufacturing costs (including materials, labor, and overhead) in relation to the number of units produced. (32:2)

8. A type of product costing in which all manufacturing costs, including direct materials, direct labor, variable factory overhead, and fixed factory overhead, are assigned to products. (31:969)

#### ADEQUATE PRICE COMPETITION

1. A condition that serves as an exemption from the requirement for submission of cost or pricing data. This condition exists when two or more responsible offerors compete independently and submit proposals deemed responsive to a solicitation, and there is no evidence that competition was restricted or that the lowest price is unreasonable. (11:B-1)

2. Price competition exists if offers are solicited and at least two responsible offerors who can satisfy the purchaser's requirements independently contend for a contract to be awarded to the responsive and responsible offeror submitting the lowest evaluated price by submitting priced offers responsive to the expressed requirements of the solicitation. (18:6)

#### AGENT

1. "A person who is authorized to represent or act for another person referred to as the principle, in dealing with a third party" (23:4).

2. A business unit which negotiates purchases or sales or both but does not take title to the goods or services in which it deals. NOTE: The agent usually performs fewer marketing functions than does the merchant. He commonly receives his remuneration in the form of a commission or

fee. He usually does not represent both the buyer and seller in the same transaction. (3:36)

3. "A person authorized by another to act for him in the transaction of business, the management of property, or the performance of miscellaneous tasks" (36:13).

4. A person authorized by another person or corporation to act for them, who is trusted with the authorizing party's business. One who represents and acts for another under stated terms and conditions including expected compensation. Such a person acts as the middleman and does not take possession of goods. (5:21)

5. "A person who acts as an intermediary in a business transaction and for such service receives a percentage (generally from 10 to 25%) of the fee negotiated" (32:11-12).

6. "Any person who acts for another (as a broker for an investor, a trustee for a bondholder, a fiduciary for an heir)" (32:12).

7. "One acting for another, called principal in dealing with third parties" (20:1).

8. "The employee in an agency relationship" (31:69).

9. "One employed to transact business for another" (10:b-2).

#### AMENDMENT

1. "To change or modify for the better. To alter by modification, deletion, or addition" (6:74).

#### ANTI DEFICIENCY ACT

1. The salient features of this Act include: (a) prohibitions against authorizing or incurring obligations or expenditures in excess of amounts apportioned by the OMB or in excess of amounts permitted by agency regulations; and (b) establishment of procedures for determining the responsibility for violations and for reporting violations to the President, through OMB, and to the Congress. (14:4)

2. "A regulation prohibiting the obligation of government money in advance of an appropriation or in available appropriation" (16:7).

3. The salient features of this Act include: (1) prohibitions against authorizing or incurring obligations or expenditures in excess of amounts apportioned by the Office of Manpower and Budget (OMB) or in excess of amounts permitted by agency regulations; and (2) establishment of procedures for determining the responsibility for violations and for reporting violations to the President, through OMB, and to the Congress. (15:3)

4. The Anti-Deficiency Act provides that no Government officer or employee shall authorize or create any obligation, or make any expenditure, in excess of an apportionment or an administrative subdivision of appropriated funds. It also requires that executive agencies prescribe regulation for fixing responsibility in the event of a violation. (10:6-4)

#### BEST AND FINAL OFFER

1. "A final proposal submission by all offerors in the competitive range submitted at a common cut-off date at the request of the contracting officer after conclusion of negotiations" (16:9).

#### BID BOND

1. Type of bond required in public construction projects which must be filed at the time of the bid and which protects the public agency in the event that the bidder refuses to enter into a contract after the award to him or withdraws his bid before the award. A type of indemnity bond. (6:147)

2. An insurance agreement in which a third party agrees to be liable to pay a certain amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as bid. (4:166)

3. "A guarantee furnished by a prospective contractor assuring that he will enter into a contract on which he has bid if it is awarded to him" (18:12).

4. In Contract Administration, an insurance concept by which a third party agrees to be liable to pay a specific amount of money in the event that a specific bidder, if his bid is accepted, fails to sign the contract as a bid. (3:114)

5. "A bond that a bidder must post when seeking a contract for construction of a public improvement" (5:40).

6. "A surety bond which indemnifies the Government against a winning bidder's failure to execute the contract documents and proceed with performance" (2:GL-3)

#### BID GUARANTEE BONDS AND INSURANCE.

1. A form of security assuring that the bidder (a) will not withdraw a bid within the period specified for acceptance and (b) will execute a written contract and furnish required bonds, including any necessary coinsurance or reinsurance agreements, within the time specified in the bid, unless a longer time is allowed, after receipt of the specified forms. (29:19)

2. "Bid Guarantee" means a form of security assuring that the bidder (a) will not withdraw a bid within the period specified for acceptance and (b) will execute a written contract and furnish required bonds, including any necessary coinsurance or reinsurance agreements, within the time specified in the bid, unless a longer time is allowed, after receipt of the specified forms. (22:28.001)

3. A form of security accompanying a bid or proposal as assurance that the bidder will not withdraw his bid during the specified time period, will execute a written contract, and will furnish required bonds. (16:9)

4. A form of security accompanying a bid or proposal as assurance that the bidder (i) will not withdraw his bid within the period specified therein for acceptance, and (ii) will execute a written contract and furnish such bonds as may be required within the period specified in the bid (unless a longer period is allowed) after receipt of the specified forms. (9:95)

#### BOND.

"Bond" means a written instrument executed by a bidder or contractor (the "principal"), and a second party (the "surety" or "sureties"), to assure fulfillment of the principal's obligations to a third party (the "obligee" or "Government"), identified in the bond" (22:28.001).

#### PERFORMANCE BOND.

"A bond executed in connection with a contract and which secures the performance and fulfillment of all the undertakings, covenants, terms, conditions, and agreements contained in the contract" (20:5).

## COMPONENT BREAKOUT

No published definition for this term was found.

### COMPONENT.

1. "An inclusive term used to describe a subassembly or part that goes into higher level assemblies" (4:215).
2. An article which is normally a combination of detail parts, subassemblies, and assemblies, is a self-contained element of a complete operating equipment end item, and performs a function necessary to the operation of that equipment. It is normally a WBS element of the second lower level below a subsystem (that is, below an equipment item.) (17:29)

### BREAKOUT.

Execution of acquisition strategy to convert some parts or systems components from contractor furnished to government furnished. Rather than having prime contractor provide from its sources, government goes out to industry direct and procures items. (14:9)

## CONSIDERATION

1. The inducement to a contract. The cause, motive, price, or impelling influence which induces a contracting party to enter into a contract. The reason or material cause of a contract. (6:277)
2. Consideration the inducement to a contract, something of value given in return for a performance or a promise of performance by another, for the purpose of forming a contract; one element of a contract that is generally required to make a promise binding and to make the agreement of the parties enforceable as a contract. (25:90)
3. A. Legal Sense. The law uses consideration in a technical sense generally unknown to laymen: "the act, forbearance, or promise by one party to a contract that constitutes the price for which he buys the promise of the other" (CDL). This word is one of the lawyer's basic TERMS OF ART. (24:144)
4. "In law, the benefit that a contracting party derives when he enters into a contract. Consideration must be present for a contract to be valid" (23:26).

5. Anything of value (e.g., money, personal services, love and affection, etc.) given to induce entering into a contract without which no contract is valid. In certain policies, the promise to pay is the consideration, such as in most property and liability policies. (36:79)

6. "A payment for a service or for merchandise as legally required for a valid contract" (27:34).

7. "The inducement to a contract. The cause, motive, price, or impelling influence which induces a contracting party to enter into a contract" (5:73).

8. "Anything of value, including the relinquishing of a legal right, exchanged as a binder between parties to a contract" (32:68).

9 "Something of value given for a promise to make the promise binding. cf. "binder," "earnest money." One of the essentials of a legal contract" (20:10).

10 One of the vital elements for a valid contract. 'Consideration' implies the passing of something of value-money or money's worth-in exchange for goods or services. 'Consideration' must:

1. be of value-even if not adequate.
2. be something not already due to the other party.
3. be definite.
4. be lawful.
5. not be past-except in case of Bill of Exchange.
6. proceed from the promisee from promisee to promisor. (8:35)

11. "something of value exchanged by the parties, making the contract enforceable" (10:b-3).

12 That which accrues to a company in return for a benefit passing from the company to another organization or individual outside of the company. It may take the form of money, material, a legal right, goodwill or other compensation. (18:21)

#### COST ANALYSIS

1. A process employed to develop or assess the reasonableness and validity of resource requirement estimates for military systems and programs. This process includes a statement or report of the assessment together with related conclusions. (14:15)

2. The review and evaluation of the separate cost elements and proposed profit of (a) an offeror's or contractor's cost or pricing data and (b) the judgmental factors applied in projecting from the data to the estimated costs, in order to form an opinion on the degree to which the proposed costs represent what the contract should cost, assuming reasonable economy and efficiency. (29:42-43)

3. "Cost analysis" means the review and evaluation of the separate cost elements and proposed profit of (a) an offeror's or contractor's cost or pricing data and (b) the judgmental factors applied in projecting from the data to the estimated costs in order to form an opinion on the degree to which the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency. (22:15.801)

4. The review and evaluation of a contractor's cost or pricing data. May include the judgmental factors applied in projecting from the data to the estimated costs in order to form an opinion. It includes appropriate verification of cost data, evaluation of specific elements of costs, and projection of these data to determine the effect on price factors, allowances for contingencies, and the basis used for allocation of overhead costs. (19:8)

5. The accumulation and analysis of actual costs, statistical data, and other information on current and completed contracts or groups of contracts (programs). Cost analysis also includes the extrapolation of these cost data to completion, comparisons and analyses of these data, and cost extrapolations on a current contract with the cost data in the contract value for reports to customers, program and functional managers, and price estimators. In the procurement organizations of the Department of Defense, cost analysis is the review and evaluation of a contractor's cost or pricing data and of the judgmental factors applied in projecting from the data to the estimated costs, in order to form an opinion on the degree to which the contractor's proposed costs represent what performance of the contract should cost, assuming reasonable economy and efficiency. (17:38)

6. The review and evaluation of a contractor's costs or pricing data and of the decision factors used to project the estimated costs, for the purpose of determining the degree to which the contractor's proposed costs represent what contract performance should cost, assuming reasonable economy and efficiency. (16:16)

7. The review and evaluation of a contractor's cost or pricing data and the judgmental factors applied to form an



opinion leading to a position on the degree to which the contractor's proposed costs represent what the contract performance should cost. Cost analysis includes verification of cost data, evaluation of specific elements of costs, and projection of these data to determine the effect on price factors--such as, cost necessity, allowances for contingencies, and the basis for allocation of overhead costs. (15:13-14)

8. "Contract cost analysis is the element-by-element examination of the estimated or actual costs of contract performance" (11:3-5).

9. Cost analysis: The review and evaluation of a contractor's cost or pricing data and of the judgmental factors applied in projecting from the data to the estimated costs. The purpose is to form an opinion leading to a position on the degree to which the contractor's proposed costs represent what contract performance should cost, assuming reasonable economy and efficiency. It includes appropriate verification of cost data, evaluation of specific elements of costs, and projection of these data to determine the effect on price factors like cost necessity, allowances for contingencies, and the basis used for allocation of overhead costs. (11:B-3&4)

10. A systematic procedure for estimating the aggregate cost of a system/equipment, and for comparing the costs of alternative systems in order to determine the relative economy and effectiveness of the analysis. (9:179)

11. An analytical process for developing or assessing resource requirements in terms of cost. The process includes a statement or report of the assessment and related conclusions. (9:179-180)

12. The accumulation and analysis of actual costs, statistical data, and other information on current and completed contracts or groups of contracts (programs). Cost analysis also includes the extrapolation of these cost data to completion, comparisons and analyses of these data, and cost extrapolations on a current contract with the cost data in the contract value for reports to customers, program and functional managers, and price estimators. In the procurement organizations of the Department of Defense, cost analysis is the review and evaluation of a contractor's cost or pricing data and of the judgmental factors applied in projecting from the data to the estimated costs, in order to form an opinion on the degree to which the contractor's proposed costs represent what performance of the contract should cost, assuming reasonable economy and efficiency. (18:27)

### DELEGATION

1. "The transfer of authority by one person to another" (6:383).
2. "A management term for the act of assigning work to a subordinate and granting him the necessary power to take action to accomplish the work" (23:35)
3. An administrative process of assigning duties to be performed, and conferring authority to subordinate, necessary to accomplish the result expected, and holding him accountable for his actions. (4:255)
4. Formal leadership concept, method and process of shifting power, authority and accountability for administrative, managerial or supervisory functions, processes and decisions to subordinate individuals, groups, departments or other related units in an organization, institution or system. (3:251)
5. "The authority given to an individual by his superior to complete the work assigned to him" (5:91).

### DIRECT LABOR

1. Labor that is specifically identified with a particular final cost objective. Manufacturing direct labor includes fabrication, assembly, inspection and test for constructing the end product. Engineering direct labor consist of engineering labor such as reliability, quality assurance, test, design, etc., that is readily identified with the end product. (14:24)
2. "The cost of labor applied to direct material" (7:85).
3. "cost of wages paid to workers; cost of labor applied directly to a product in processing" (27:47).
4. "The cost of labor directly expended in the production of specific goods and services" (5:94).
5. "That labor which can be specifically and consistently identified or assigned to a particular work order and which bears full overhead" (17:52).
6. "Factory labor that is clearly responsible for the production of a specific number of units or batches of product" (32:91).

7. "Productive wages which can be definitely traced to a particular job, contract or process" (8:78).
8. Labor that is specifically identified with a particular final cost objective. Manufacturing direct labor includes fabrication, assembly, inspection, and test for constructing the end product. Engineering direct labor consists of engineering labor such as reliability, quality assurance, test, design, etc., that is readily identified with the end product. (15:18)
9. "Wages paid production employees for the time they actually spend working on a particular product or process" (31:972).
10. "The work performed by civilian and military personnel that can be associated with a particular vehicle or group of vehicles" (9:227).
11. "That labor which can be specifically and consistently identified or assigned to a particular work order and which bears full overhead" (18:39).

#### DISCLOSURE STATEMENT

1. An official statement in which persons or firms are required to describe their contract cost accounting practices by providing data responsive to the requirements of the government's Cost Accounting Standards. (16:19)
2. Designed to meet the requirements of Public Law 91-379. Persons or firms required to complete and submit the statement describe their contract cost accounting practices. The statement applies to all Defense contractors who enter into negotiated National Defense contracts in excess of \$100,000, unless certain exceptions apply to contracts where the price reflects or is based on established catalog or market prices of commercial items sold in substantial quantities to the general public, or the prices are set by law or regulation. The presumed or anticipated presence of a competitive environment does not constitute an exception or exemption for the submission of a disclosure statement. (15:19)
3. A statement (typically a Form CASB-DS-1) designed to meet Cost Accounting Standard requirements on which contractors describe their cost accounting practices by providing data that are responsive to the requirements. (2:GL-9)

4. The disclosure statement (FORM CASB-DS-1) has been designed to meet the requirements of Public Law 91-379. Persons or firms required to complete and submit the statement describe their contract cost accounting practices by providing data that are responsive to its requirements. (18:39).

#### DISCLOSURE.

1. "The aspect of financial reporting concerned with the proper amount of detailed information to be provided in the financial statements" (7:55).

#### ESTABLISHED MARKET PRICES

1. Current prices that (i) are established in the course of ordinary and usual trade between buyers and sellers free to bargain and (ii) can be substantiated by data from sources independent of the manufacturer or vendor. (29:62)

2. A current price, established in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor. (16:20)

3. A current price, established in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or vendor, although such pricing data may have come from the seller. (11:7)

4. A current price, established in the usual and ordinary course of trade between buyers and sellers free to bargain, which can be substantiated from sources independent of the manufacturer or supplier, although the obtaining of such pricing data may have to come from the seller. (18:44)

#### EXECUTED CONTRACT

1. "Contract which has been performed. If performed in part, it is partially executed (executory); if entirely performed, it is fully or wholly executed" (6:509).

2. "a contract in which performance by both parties has been completed" (27:57).

3. A written document, signed by both parties and mailed or otherwise furnished to each party, which expresses the

requirements, terms, and conditions to be met by both parties in the performance of the contract. (16:20)

4. "A contract completely performed; also, a signed contract" (10:B-4).

Execute.

1. To sign and deliver; to make valid by observing certain required formalities) is useful lawyers' ARGOT in reference to completing legal documents <she executed her will>. In this sense the word means "to go through the formalities necessary to the validity of (a legal act)--hence, to complete and give validity to (the instrument by which such an acts is effected) by performing what the law requires to be done. (24:229)

2. To complete, as a legal instrument; to perform what is required to give validity to, as by signing and perhaps sealing and delivering. To perform; to finish; to accomplish an act. (36:142)

MAKE OR BUY PROGRAM

1. That part of a contractor's written plan for the development or production of an end item which outlines the subsystems, major components, assemblies, subassemblies, and parts he intends to manufacture, test-treat, or assemble himself (make), and those he intends to purchase from others (buy). (14:48)

2. That part of a contractor's written plan for a contract identifying (a) those major items to be produced or work efforts to be performed in the prime contractor's facilities and (b) those to be subcontracted. (29:101)

3. Decision to be made concerning the choice between manufacturing a certain product by one's own company or buying it from an outside contractor or manufacturer. (3:535).

4. "A decision by the prime contractor to make the item or to buy it from some subcontractor" (28:308).

5. That part of a contractor's written plan for the development or production of an end item outlining the subsystems, major components, assemblies, subassemblies, and parts intended to be manufactured, test-treated, or assembled by the contractor (make); and those the contractor intends to procure from another source (buy). (16:25)

5. That part of a contractor's written plan for the development or production of an end item which outlines the subsystems, major components, assemblies, subassemblies, and parts he/she intends to manufacture, test-treat, or assemble and those he/she intends to buy from others. (15:33).

6. That part of a contractor's written plan which identifies the major subsystems, assemblies, subassemblies, and components to be manufactured, developed, or assembled in his own facilities, and those which will be obtained elsewhere by subcontract. (9:422)

7. Refers to the determinations by management as to which parts, components, or equipment items will be fabricated (manufactured or 'make') by the company or obtained from outside sources (purchase or buy). (18:68)

#### MAKE OR BUY.

"Analysis performed by a contractor to determine whether an item should be made "in house" or purchased from an outside supplier" (30:B-9).

#### MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM

1. Material Management and Accounting Systems (MMAS), means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use and disposition of material. MMAS's may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems etc. or they may be essentially stand alone systems. (13:242.7202)

#### PRE-AWARD SURVEY

1. Study of a prospective contractor's financial, organizational, and operational status made prior to contract award to determine his responsibility and eligibility for government procurement. (14:60)

2. "Evaluation of a surveying activity of a prospective contractor's capability to perform a proposed contract" (29:124).

3. "In Contract Administration, an evaluation of prospective contractor's ability and capability to perform under the terms of a proposed contract" (3:712).

4. A review accomplished by the Contract Administrative Office of a prospective contractor's physical, financial and

managerial capability to accomplish the work included in a specific contract effort. (30:B-12)

5. a. A preaward survey is performed at the specific request of a contracting officer prior to an award of a contemplated contract. Normally, there are two categories of information which the auditor may be requested to furnish. One deals with the financial responsibility of the contractor to perform the contract and the other deals with adequacy of the accounting system to accumulate the type of cost information required by the contract.

b. Usually, information requested for preaward surveys is urgently needed so as not to delay the award of the contract. Auditors should be mindful of this urgency in furnishing information or preaward surveys. (12:511)

6. "A review to determine a firm's ability to perform under a proposed contract" (16:28).

7. "Review of a firm to determine the firm's ability to perform under a proposed contract" (15:40).

8. "An evaluation of a contractor's capability to perform a specific proposed contract" (9:530).

#### QUOTATION

1. "In over the counter trading, quote means bid and asked" (35:346).

2. "Statement of price, terms of sale, and description of goods or services offered by a vendor to a prospective purchaser" (3:767).

3. "A statement of price, terms of sale, and description of goods or services offered by a seller to a prospective buyer" (19:25).

4. "The citation or publishing of current prices of securities or commodities; a price on merchandise stated in response to an inquiry" (27:145).

5. "An expression of price and contractual terms under which a supplier would be willing to supply items or services" (17:121).

6. "The highest bid price a dealer offers for a given stock and the lowest asked price that a seller is willing to accept for that stock" (32:233).

7. "Generally a sales proposal including price, sales terms, and conditions. A price statement as an offer. A bid" (20:31).

8. "An offer to supply goods at a stated price-usually in response to an enquiry (8:113).

9. "An expression of price and contractual terms under which a supplier would be willing to supply items or services" (18:92).

#### RISK ASSESSMENT

1. The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective, will or will not be attained along the planned course of action. (14:73)

2. Concept, technique and process for identifying, organizing, quantifying evaluation and analyzing information and data associated with organizational risks, costs and benefits, and their real or perceived relation with contemplated, perceived or proposed decision or action. Generally aimed determining the balance of known or projected cost-effectiveness-benefit results, its basic steps may include (1) definition of the scope of assessment; (2) identification of assumptions; (3) definition of decision alternatives; (4) identification of organizational assets and liabilities; (5) analysis of real or probable impacts; (6) comparison of alternative ideas, resources, techniques and options; and (7) summary of efforts expended and results obtained. (3:795)

3. The process of subjectively determining the probability that a specific interplay of performance, schedule, and cost as an objective will or will not be attained along the planned course of action. (15:49)

#### RISK ANALYSIS.

1. process of measuring and analyzing the risk associated with financial and investment decisions. Risk refers to the variability of expected returns (earnings or cash flows). Statistics such as standard deviation and coefficient of variation are used to measure various risks. BETA coefficient is used to measure a stock's relative volatility in relation to the market and to analyze a portfolio risk. Risk analysis is important in making capital investment decisions because of the large amount of capital involved and the long-term nature of the investments being considered. The higher the risk associated with the



proposed project, the greater the return that must be earned to compensate for that risk. (35:368)

#### SEALED BID

1. A bid which has been submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids; usually required by the purchasing authority on major procurements to ensure fair competition among bidders. (4:614)

2. In Contract Administration, a bid which has been submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids. It is usually required by the purchasing authority on major procurements to ensure fair competition among bidders. (3:811)

3. A bid submitted in a sealed envelope to prevent dissemination of its contents before the deadline for the submission of all bids; usually required by a purchasing authority on major procurement to ensure fair competition among bidders. (19:27)

#### SEALED BIDDING.

1. A method for submitting a bid to buy or to perform work on a proposed contract. In general, each party interested submits a bid in a sealed envelope, and all such bids are opened at the same time and the most favorable responsible bid is accepted. (6:1210)

2. A preferred method of procurement involving the unrestricted solicitation of bids, a public opening, and award of a contract to the lowest responsible bidder; also called Advertised Procurement. (16:33)

3. A method of contracting that uses competitive bids, public opening of bids, and awards. A latter-day version of what used to be known as formal advertising, similar to but not the same as that method. Shares equal billing with competitive proposals. (11:B-9)

4. One of the two basic methods of procurement, this method involves the solicitation of bids and the award of a contract to the responsible bidder submitting the lowest responsive bid. (2:GL-15)

#### SECOND SOURCE

1. "Execution of established acquisition strategy to qualify two producers for the part or system" (14:74).
2. "An acquisition strategy that establishes two producers for the same part or system, usually for purposes of competition" (16:33).
3. "Execution of established acquisition strategy to qualify two producers for the part or system" (15:49).

#### SOURCE SELECTION

1. The process wherein the requirements, facts, recommendations and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made. (14:76)
2. The process wherein the requirements, facts, recommendations and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made. (30:B-17)
3. The process wherein the requirements, facts, recommendations, and policies relevant to an award decision in a competitive procurement of a system/project are examined and the decision made. (16:34)
4. The process wherein the requirements, facts, recommendations and government policy relevant to an award decision in a competitive procurement of a system/project are examined and the decision made. (15:51)
5. The process wherein the requirements, facts, recommendations and Government policy relevant to an award decision in a competitive negotiated procurement of a system, subsystem, or project are examined and the decision made. (9:636)
6. The formal procurement process used within DOD or a company to: (a) call for proposals; (b) evaluate proposals; (c) pass recommendations to higher authority; or (d) final awarding of a contract by the selection authority. (18:102)

#### SYNOPSIS

1. "A brief or partial statement, less than the whole; an epitome; . . ." (6:1300).
2. An abbreviated description of a procurement which is published in the Commerce Business Daily in advance of the

procurement, along with the contracting officer's name, for the purpose of informing the commercial world of the opportunity to bid or submit an offer. (16:35)

#### WEIGHTED AVERAGE COST METHOD

1. An inventory costing method under which an average unit cost is computed periodically by dividing the sum of the costs of beginning inventory plus the cost of acquisitions by the total number of units included in these two categories. (29:173)

2. "An average computed from a series of items where each item has been multiplied by a factor indicative of its importance to the total value of the series" (7:17).

3. Procedure for computing the unit cost of a process. Beginning work-in-process inventory costs are added to the costs of the current period, then a weighted average is obtained by dividing the combined costs by the equivalent units. Thus, there is only one average cost for goods completed. (35:457)

4. An inventory costing method under which an average unit cost is computed periodically by dividing the sum of the cost of beginning inventory plus the cost of acquisitions, by the total number of units included in these two categories. (1:20-7, 8)

5. 1. Also called weighted average cost. The average cost of a unit of inventory, calculated by dividing the total cost of all items (even if they were bought at various costs) by the total number of units. See also FIFO; LIFO.  
2. The average value for a group of items, where one or more of the individual items are assigned an extra degree of importance. (32:298)

#### WEIGHTED AVERAGE.

1. An arithmetic mean of an numerical series adjusted to give appropriate significance to each item in relation to its importance. For example: a weighted average purchase price per unit of a number of purchases of a given item is determined as follows: Sum of cost of all purchases (equals cost times quantity of each purchase) divided by total quantity purchased. An unweighted average, or simple arithmetic mean, would be determined by the sum of unit price of each purchase divided by number of purchases. (18:119)

## Appendix D: NCMA Fellow Award Application

### GENERAL INFORMATION

This appendix presents the NCMA "Fellow Award Application" in full text. The remainder of this page is intentionally left blank to preserve the appearance of the application.

# FELLOW AWARD APPLICATION

NAME: \_\_\_\_\_ CHAPTER: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TO: National Board of Directors

In accordance with the requirements of the NCMA Management Operations Guide procedure G-09, "Fellow Award Criteria," the following qualifications for election as a Fellow are hereby submitted:

**1. Academic training**

List institution, degree, and date.

a. Bachelor's degree (1.0 point) \_\_\_\_\_

b. Master's degree, CPA, J.D., or Ph.D. (1.0 point) \_\_\_\_\_

c. CPCM certification (1.5 points) \_\_\_\_\_

or

d. CACM certificate (.5 point) \_\_\_\_\_

or

e. Other professional certification (.5 point) \_\_\_\_\_

Subtotal (Maximum 3.5 points) \_\_\_\_\_

**2. Work experience in contract management**

Describe positions, duties, and dates.

a. More than 5 years (.5 point) \_\_\_\_\_

b. More than 10 years (1.0 point) \_\_\_\_\_

c. More than 20 years (1.5 points) \_\_\_\_\_

Note: Points are not cumulative.

Subtotal (Maximum 1.5 points) \_\_\_\_\_

**3. Management position in the field of contract management**

Describe positions, responsibilities, and dates.

a. Supervisor, manager, or director of contracts or procurement or higher (2.5 points) \_\_\_\_\_

b. Staff position to supervisor, manager, or director of contracts or procurement or higher (1.0 point) \_\_\_\_\_

**Subtotal (Maximum 2.5 points)** \_\_\_\_\_

**4. NCMA chapter-level service**

List position, chapter, and dates.

a. President (exclusive) (3.0 points) \_\_\_\_\_

b. Other Offices (1.5 points)  
(Vice President, Secretary, or Treasurer) \_\_\_\_\_

c. Chairman of Programs, Membership, Awards, or Education committees (1.0 point) \_\_\_\_\_

d. Other Chairmanships (.5 point) \_\_\_\_\_

Note: Must have served full one-year term; b, c, and d are additive.

**Subtotal (Maximum 3.0 points)** \_\_\_\_\_

**5. NCMA membership**

List dates of membership.

a. 1 to 5 years (1.0 point) \_\_\_\_\_

b. More than 5 years (1.5 points) \_\_\_\_\_

**Subtotal (Maximum 1.5 points)** \_\_\_\_\_

**6. Chapter attendance**

Provide total of meetings and number attended.

More than 50 percent of regularly scheduled meetings within the last year (1.0 point) \_\_\_\_\_

**Subtotal (Maximum 1.0 point)** \_\_\_\_\_

**7. NCMA service, national level**

List offices and dates.

a. National Officer (1.0 point) \_\_\_\_\_

b. Board of Advisors (1.0 point) \_\_\_\_\_

a. National Board of Directors member or Functional Director (either elected or appointed) (.5 point) \_\_\_\_\_

Note: Points awarded for each full-year term.

**Subtotal (Maximum 2.0 points)** \_\_\_\_\_

8. Paper on contract management or related subject published in recognized periodical publication, e.g., *ABA Public Contract Law Journal*, *Contract Management* magazine  
List publication, title of paper, and date.

a. First time (1.0 point) \_\_\_\_\_

b. Second time or more (.5 point) \_\_\_\_\_

c. Paper published in *NCMA Journal*, if not in a or b (1.0 point) \_\_\_\_\_

Subtotal (Maximum 2.5 points) \_\_\_\_\_

9. Active support of chapter workshops in specific work assignments or as a program speaker  
List workshop subject, personal duties, and dates.

a. First time (.5 point) \_\_\_\_\_

b. Second time (.5 point) \_\_\_\_\_

Subtotal (Maximum 1.0 point) \_\_\_\_\_

10. Active participation in national or regional conference as a program speaker, conference chairman, assistant chairman, or chairman of recognized committee  
List conference, subject/position, and date.

a. First time (1.0 point) \_\_\_\_\_

b. Second time (.5 point) \_\_\_\_\_

Subtotal (Maximum 1.5 points) \_\_\_\_\_

11. Program speaker in conferences, workshops, or programs sponsored by similar professional associations (e.g., Strategic Industries Assoc., Chamber of Commerce, Federal Bar Association)  
List conference, association, subject, and date.

a. First time (1.0 point) \_\_\_\_\_

b. Second time (.5 point) \_\_\_\_\_

Subtotal (Maximum 1.5 points) \_\_\_\_\_

12. Teaching in the field of contract management  
List university, describe course, and provide date.

a. One or more full semesters or academic quarters at an accredited university or academic institution (1.0 point) \_\_\_\_\_

Subtotal (Maximum 1.0 point) \_\_\_\_\_

13. Special significant chapter achievement(s) not covered above, as recommended by the chapter and after review and approval of the National Board of Directors, e.g., Blanche Witte Award, National Education Award. Items considered may not include items already covered in a previous category. Provide detailed description.

a. For each item (.5 point)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Subtotal (Maximum 1.5 points)

\_\_\_\_\_

TOTAL (Maximum 24.0 points)

\_\_\_\_\_

(Minimum points required for eligibility: 14)

I hereby certify that the above information is true and accurate.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Approval by local chapter:

The \_\_\_\_\_ Chapter hereby recommends approval/disapproval of this application.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

(Chapter Fellow Chairperson)

Position: \_\_\_\_\_

Indicate the individual or agency, such as boss, president, or commander, that the National Office can notify of this award.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

.....

Attached: 1) Resume (include current job title, current place of employment, work experience), and 2) documentation requested under each item for which points are claimed:

1. List academic institutions, degree, and date.
2. Describe contract management experience and dates.
3. Describe management position, responsibilities, and dates.
4. List NCMA positions, chapter, and dates.
5. List dates of NCMA membership.
6. Provide total of chapter meetings and number attended.
7. List NCMA national offices and dates.
8. List publications, title of papers, and dates.
9. List workshop subjects, position, and dates.
10. List conference, subject, position, and dates.
11. List other conference, subject, and date.
12. List university, describe course, and dates.
13. Provide detailed description.



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13. ABSTRACT (Maximum 200 words) This thesis effort is a continuance of research to determine, through a consensus of opinion among contracting professionals, a definition for current contracting terminology. This research was first initiated by LCDR Daniel L. Ryan, and was later accomplished by others at both the Naval Postgraduate School, Monterey, California, and at the Air Force Institute of Technology, Wright Patterson Air Force Base, Ohio. As with the previous efforts, this thesis examined literary sources for the current definitions and usages of the chosen terms. Thereafter a definition for each term was synthesized, incorporated in an open ended survey, and sent to contracting professionals (NCMA Fellows). Respondent comments are analyzed, and, where appropriate, incorporated in the final, proposed definitions. Researcher effort to define additional terms should be continued in accordance with the recommendations presented in chapter V. <i>Recommendations</i> .				
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